

AR71

Vinspear Business
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



annual report

THE
FUTURE
IS
NOW!

1999

SHAW)

mission statement ■ To deliver a broad array of high quality, high value entertainment, information and communications services to our customers utilizing a variety of distribution technologies.

mission progress ■ In news articles, media profiles and, most importantly, in comments from our customers, the name SHAW and the terms *futuristic* and *visionary* are frequently linked. This is a 'real-world' validation of the mission we have set for ourselves. ■ Whether through digital cable technology or high-speed Internet access, each SHAW customer is virtually free to roam the world of entertainment, information or education; to visit any place on our planet; to connect person-to-person, business-to-business – all within a split second, any time of the day or night without regard to time zones or travel restrictions. ■ From our technological infrastructure to our corporate culture, SHAW is absolutely committed to bringing the future of communications, entertainment and information to our customers today! ■ SHAW is pleased to have made the future into an enjoyable and functional reality for our customers today!

Cable

SHAW CABLE

Provides broadband cable television products and services to approximately 1.8 million customers in seven provinces across Canada.

SERVICES INCLUDE:

- Basic cable – with local broadcast stations, local programming, Canadian and international news services, weather, TSN and major U.S. networks
- Choice of 3 tiers – including: Tier 1 – CNN, A&E, The Learning Channel and CTV Sportsnet; Tier 2 – Showcase, Discovery Channel, Life Network, Bravo!, Fox and CNBC and; Tier 3 – History Television, The Comedy Network, The Golf Channel, Speedvision, Home & Garden Television, Outdoor Life Network, Family Channel, Superstation TBS (Atlanta) and Space – The Imagination Station
- Digital Cable including an interactive electronic program guide, parental controls, 30 digital music formats (DMX), new specialty and ethnic services, cable exclusives such as NFL Sunday Ticket™ and up to 50 channels of impulse pay-per-view

INDUSTRY OUTLOOK

The cable industry is moving from a highly regulated environment to one based on fair and sustainable competition.

GOALS AND STRATEGY

- Maintain an ever-improving level of customer service
- Continue to grow by adding new services and customers and through strategic acquisitions
- Maximize the performance of our employees through incentive pay and training
- Effectively utilize plant capacity to maximize revenue
- Continue to be the low-cost, high quality service provider

HIGHLIGHTS

- Received CRTC approval in September 1999 for acquisition of 75% of Access Communications and 100% Fundy Communications Inc.
- 98% of customers have access to digital services
- By December 1999, plant upgrades will provide two-way capability to 90% of homes passed
- Over 95% of customers have the capability to receive up to 200 channels of programming

1999 PERFORMANCE

- Basic subscribers increased by 1.3%
- Tier III subscribers grew over 20%

SHAW CABLE:

revenue	\$ 637 m
operating income	\$ 288 m
operating margin	45.2%

SHAW@HOME

Provides high-speed Internet access for residential subscribers through cable modems.

Features of Shaw@Home include Internet access at speeds of more than 100 times faster than current dial-up modem access; "always on" attributes and rich multimedia content.

INDUSTRY OUTLOOK

- The Internet industry provides one of the most dynamic opportunities for growth in the new millennium
- Internet analysts expect that the growth of the Internet and e-commerce is a global megatrend that will revolutionize the way we communicate, learn, gather information and conduct transactions – this is truly a paradigm shift of monumental proportions

GOALS AND STRATEGY

- To be a market leader by providing consumers with superior value through high-speed Internet access, broadband content, exceptional service and affordable monthly cost
- Maintain market leadership including the launch of Web-enabled interactive TV and other Internet-protocol based communications services
- To leverage off the existing and future cablesystem infrastructure

HIGHLIGHTS

- Revenue is expected to more than double in fiscal 2000
- As a percentage of homes passed, SHAW has established itself as the North American industry leader in the provision of high-speed Internet access
- Current growth rate for new Shaw@Home customers is averaging 300 – 350 per day

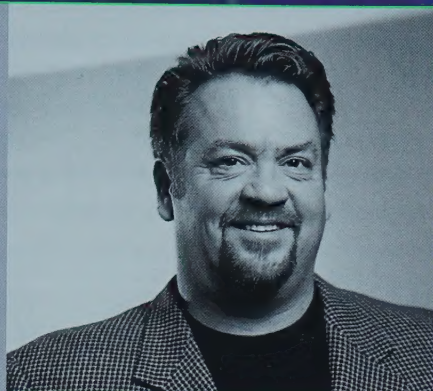
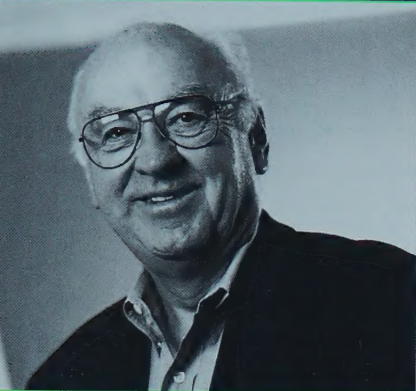
1999 PERFORMANCE

- Revenue increased almost four fold over last year
- As at August 31, 1999, Shaw@Home has over 130,000 subscribers and has achieved a 9.2% penetration of homes passed

SHAW@HOME:

revenue	\$ 40 m
operating income	\$ 10 m
operating margin	25.0%

letter to shareholders



The SHAW name has gained a wide and respected reputation for delivering quality entertainment, information and communications services to millions of Canadians. We are proud to be an interactive, broadband connection to the world for our customers wherever they live.

Over more than a quarter century of evolution and growth, SHAW has become one of Canada's foremost entertainment and communications providers. The year 1999 has proven to be one of the most momentous in our history.

CORPORATE EVOLUTION AND DEVELOPMENT

Corporately, SHAW changed fundamentally as the Company strategically repositioned each of its cable, telecommunications, media and satellite components for further success in the new millennium. The most significant of these changes was the creation of Corus Entertainment Inc., a new company now trading on the Toronto Stock Exchange. As a separate company with a focused management team, Corus is well positioned for growth.

We are excited about Corus and believe it will become a leader in the Canadian broadcasting industry. Its specialty television assets include YTV, Canada's #1 youth network, Treehouse TV, the first specialty network dedicated to pre-schoolers, and CMT, Canada's country music television network. The entertainment company also owns equity positions in other specialty networks: Comedy (15%), Telelatino (20%) and Teletoon (20%). Expansion plans for the specialty television business include applications before the CRTC for three new specialty networks: CHAOS, targeted at teens; The Edge, an alternative music video network; and a minority interest in The Food Network. In addition, DMX, Canada's leading digital music service, and Digital ADventure, the group responsible for local cable advertising, infomercials and television listing services, are now a part of Corus Entertainment.

Media

CORUS

On September 1, 1999, a new publicly traded media company, Corus Entertainment Inc., officially commenced operations.

CORUS INCLUDES:

Television, Radio, Digital Music Express (DMX) and Digital ADventure which were previously combined under SHAW MEDIA, a division of SHAW COMMUNICATIONS.

Major television investments – YTV (Youth), CMT (Country Music), and Treehouse (Pre-school).

Minority television investments – The Comedy Network, Teletoon, and Teletatino.

Radio – Corus owns 14 radio stations in BC, Alberta and Ontario – CFOX-FM, CKLG-AM – Vancouver; CFNY-FM – Toronto; CKRY-FM – Calgary; CFPL (AM & FM), CFHK – London; CISN-FM, CHQT-AM – Edmonton; CING-FM - Burlington; CIZZ-FM, CKGY-AM – Red Deer; CHAY-FM – Barrie; CKDK-FM – Woodstock.

DMX – a premium digital music subscription service.

Digital ADventure (formerly Shaw Advertising Services) – Provides cable advertising, infomercials and television listings services.

INDUSTRY OUTLOOK

Television – Viewer demand for choice is escalating. Ownership of programming, content creation, licensing and networking, offers many new and attractive opportunities.

Radio – The CRTC has revised radio regulations allowing operators to own up to 4 stations in a major market – resulting in a stronger industry with more opportunity for well positioned companies like Corus.

DMX – The introduction of digital set-top technology by cable operators and high growth of home satellite services will provide opportunities for growth.

Digital ADvantage – Expanding multi-media universe provides new opportunities for advertising services.

GOALS AND STRATEGY

Television – Provide growth, diversification and synergistic benefits by creating a significant presence in specialty programming networks through acquisition of new licences, new revenue streams and higher audience ratings.

Radio – Increase revenues and profits by increasing ratings and market share in each market and through strategic acquisitions. Focus on Southern Ontario and major markets across Canada.

DMX – Residential: Build and maintain relationships with the cable and DTH satellite industry; Business: Growth through increased focus on larger national chains by offering a complete national solution to multiple location businesses.

Digital ADvantage – Expand geographic reach, quality and value of its advertising services using new technology and media such as the Internet.

HIGHLIGHTS

- YTV is ranked #1 children's channel
- Weekly viewers reached:
 - YTV – 9 million aged 2+
 - Treehouse – 1.2 million aged 2+
 - CMT – 3.9 million viewers aged 18+
- Specialty network applications before the CRTC: Chaos, The Edge and The Food Network
- On September 1st, 1999, Corus purchased the three London Radio stations, CFPL (FM & AM) and CFHK-FM
- WIC investment (subject to CRTC and other approvals) provides the opportunity to add Superchannel, MovieMax!, an 80% interest in a video-on-demand service and the Family Channel (50%) as well as 12 radio stations, many of which are strategically located in relation to the Company's existing radio stations
- In September, 1999, Corus agreed (subject to CRTC approval) to acquire the broadcasting assets of Power Broadcasting Inc., consisting of 17 radio stations and 4 television stations in Ontario and Quebec

1999 PERFORMANCE

- The television and radio divisions posted improved results in a very competitive environment
- DMX commercial customer base grew by 17.5% to 5,700 accounts at August 31, 1999

CORUS:	
revenue	\$ 162m
operating income	\$ 49m
operating margin	30.2%

Telecommunications

SHAW FIBERLINK SHAW MOBILECOMM

SHAW FiberLink – provides data, Internet, local and wide area network, video and voice connectivity to business customers over high speed fiber optic synchronous optical networks (SONET) using asynchronous transfer mode (ATM) electronics.

SHAW Paging – provides numeric, alphanumeric and Internet paging services to consumers and businesses.

INDUSTRY OUTLOOK

- The Canadian telecommunications services industry is growing at a significant rate
- The Internet continues to grow exponentially
- Regulatory decisions have opened the entire industry to full competition
- SHAW is ideally positioned to be a provider of fiber optic based services to the long distance and wireless carriers now competing in the deregulated Canadian market and to major business customers requiring managed network solutions

GOALS AND STRATEGY

- Grow and diversify by providing leading edge, fiber optic delivered services to satisfy the evolving and expanding demands of Canadian businesses in the increasingly deregulated telecommunications industry
- Through superior customer service, product development and network performance, continue to be the first choice supplier for other telecommunications carriers, Canadian businesses and the public sector
- Paging: expand dealer and retail channels to increase sales into the consumer market

HIGHLIGHTS

- Fiber network increased from 3,300 to 4,800 route kilometers in 1999
- Strand kilometers of fiber increased from 197,000 to 230,000 in 1999
- Points of presence increased from 570 to 974 in 1999

FIBERLINK:

revenue	\$ 32m
operating income	\$ 12m
operating margin	37.8%

1999 PERFORMANCE

- FiberLink revenue and operating income increased over last year 63% and 150% respectively
- Paging maintained its revenue in a very competitive environment and added over 5,000 customers

PAGING:

revenue	\$ 19m
operating income	\$ 3m
operating margin	17.7%

Satellite

CANCOM/STAR CHOICE

Cancom (Canadian Satellite Communications Inc.) – SHAW owns on a fully diluted basis approximately 35% of Cancom, Canada's leading provider of satellite communications and broadcast services. The WIC investment, subject to CRTC and other approvals, provides the opportunity for SHAW to own an additional 28% of Cancom for a total of 63%.

Star Choice – a wholly-owned subsidiary of Cancom – is one of Canada's two licensed DTH satellite operators distributing digital subscription video and audio programming services.

INDUSTRY OUTLOOK

- Cancom/Star Choice will continue to play a key role in the satellite distribution of programming services and the rapidly expanding satellite telecommunications industry
- Star Choice's digital DTH subscription television services will be expanded in the primary target markets – households and seasonal homes currently unserved or underserved by cable

GOALS AND STRATEGY

- Become the leading provider of satellite-delivered business and programming services in Canada. Its business strategy is based on developing three complementary revenue streams – DTH, uplinking and wholesale distribution – from a single cost base
- Expand product and service offerings as transponder capacity becomes available
- Cancom's satellite coverage will permit the cost-effective delivery of a complete range of products and services in both the commercial and residential lines of business

HIGHLIGHTS

- On August 31, 1999, Cancom acquired Star Choice, resulting in SHAW owning approximately 35% of Cancom on a fully diluted basis
- Star Choice became the first Canadian DTH provider to introduce PPV, Dolby sound, a comprehensive French language package and 30-day money-back guarantee

1999 PERFORMANCE

- Star Choice revenue increased by 70% over last year
- Star Choice customers more than doubled over last year for a total of 241,000 at August 31, 1999

STAR CHOICE:

revenue	\$ 146m
operating (loss)	\$ (64m)
operating margin	(43.8%)

SHAW began as a cable television company – but SHAW today is much more than cable. We are telecommunications, high speed Internet access, and satellite services. We are fiber optic networks, two-way television, community news services and on-line service providers.

We have moved boldly and confidently into the new digital and multimedia universe without losing sight of the key competitive advantages that have brought us success in the past. Among these are a tight focus on proven business fundamentals, a dedication to technical and product leadership, and a passion for exceptional customer service which infuses a corporate culture that powerfully promotes and rewards excellence and commitment.

JR SHAW

Corus is involved in two transactions (subject to regulatory and other approvals) which would significantly increase its presence in the media industry:

- Upon completion of the reorganization of the WIC Western International Communications Ltd. ("WIC") assets, Corus would receive WIC's media assets which include 12 radio stations across the country, equity positions in two specialty networks – Family Channel (50%) and Teletoon (20%) – and the pay television properties Viewer's Choice Pay Per View, Superchannel and MovieMax! and an 80% interest in a video-on-demand service.
- On September 9, 1999, Corus announced it had entered into an agreement, subject to CRTC approval, to acquire all of the broadcasting assets of Power Broadcasting Inc., consisting of 17 radio stations and four television stations in Ontario and Quebec. This package of assets, which generates in excess of \$37 million in revenue includes 11 radio stations between Guelph and Kingston and six radio stations in Quebec between Montreal and Rimouski. The television stations in Ontario (CKWS-TV, CHEX-TV, Peterborough and CHEX-TV, Oshawa) and Quebec (CHAU-TV) are affiliates of the CBC and TVA respectively and are highly synergistic with the radio properties. Added to the Company's existing portfolio of 14 radio stations across the country, Corus Entertainment will be a key player in both Canada's radio and programming industry.

GROWTH THROUGH TECHNICAL ACCELERATION

Technically, SHAW has evolved and grown significantly over the past year. Building on our long-standing commitment to deliver the latest, most attractive and compelling products and services to our customers, SHAW Cable extended the availability and penetration of interactive and digital cable services and the Shaw@Home high-speed Internet access service, and further expanded FiberLink's telecommunications facilities and services. SHAW offers a complete range of the most advanced products available and has achieved remarkable market success: Shaw@Home is currently the leading provider of high-speed Internet service in North America and at September 30, 1999, had over 147,000 customers and a 9.9% penetration of homes passed; Shaw FiberLink achieved 63% revenue growth in 1999; by December 1999, 90% of SHAW's homes passed will have two-way signal delivery capability; and currently 95% of SHAW's customers have the capability to receive up to 200 channels of programming.

The success of our cable enhancements is attributable to the power of our product offerings, the strength of our marketing campaigns, the sophistication and scope of our cable infrastructure and the demonstrated abilities of our technical staff who have met the challenges with dedication and commitment.

GROWTH THROUGH TACTICAL ACQUISITIONS

Strategically, SHAW enhanced its scope and growth potential by aggressively pursuing acquisitions in existing markets consistent with our clustering strategy and through tactical acquisitions aimed at expanding our coverage areas.

For example, on May 31, 1999, SHAW acquired the cablesystem serving approximately 20,000 subscribers in Chilliwack, B.C. This system has been integrated with the B.C. interior cluster of systems headquartered in Kelowna. Clustering involves interconnecting cablesystems with fiber and establishing a regional office to provide subscriber services to several contiguous communities which creates operating efficiencies through shared facilities and services, thereby reducing operating redundancies.

SHAW's tactical acquisition strategy is further illustrated by the Atlantic Canada acquisitions approved by the CRTC in September 1999. SHAW acquired a 75% interest in Access Communications (which also owns a 45% interest in Halifax Cablevision Ltd.), 100% of Access Communications Bedford Sackville Limited and 100% of Fundy Communications Inc. (Fundy).

The Access companies serve approximately 73,000 subscribers in Dartmouth, Bedford/Sackville and area in Nova Scotia, while Halifax Cablevision serves approximately 70,000 subscribers in Halifax and other Nova Scotia communities. Fundy serves approximately 192,000 subscribers in New Brunswick.

These acquisitions represent a significant critical mass of over a quarter of a million subscribers in Atlantic Canada joined by a single network with significant opportunities to lower signal distribution, marketing and telecommunications costs, and to create a menu of programming and Internet-based services that would be available throughout the two provinces. In addition, these systems will

complement SHAW's existing operations in the rest of Canada and strengthen the Company's position as a national cable television system operator in seven provinces across the country.

Our tactical acquisition strategy is also evident in other divisions of the Company. For instance, the acquisition of Star Choice by Cancom greatly enhanced the range and business opportunities in our satellite services business. The combination of Cancom and Star Choice will generate considerable synergies, building on Star Choice's strength in digital direct-to-home service and Cancom's strengths in wholesale distribution and network management. The ability to leverage multiple revenue streams from a single cost structure will make the combined entity the premier satellite company in Canada, well positioned to provide significant growth.

FINANCIAL STRENGTH

SHAW will always have a strong focus on the financial fundamentals:

- SHAW has always been committed to increasing its cashflow to support continuing growth and enhanced shareholder value. This focus will continue into the new millennium.
- The Company's financial stability was reaffirmed and upgraded by the various rating agencies during 1999. SHAW is one of the strongest cable operators in Canada and is one of the highest rated cable companies in North America.
- SHAW is also committed to monetizing the value of strategic investments with a view to reducing short and long-term bank indebtedness.

TRANSITIONS

As the new CEO, Jim Shaw carries on the team-oriented, customer-focused corporate culture and commitment to value creation established by JR Shaw who has become Executive Chair of the Company. Jim joined SHAW in 1982 and, prior to his appointment as President & CEO in December 1998, held a variety of senior management positions within the company. In addition, Jim has been very active within the North American cable television industry over the years. Currently, he is Chairman of both vision.com, a strategic alliance of Canadian cable television companies, and the Canadian Cable Television Association (CCTA). Jim is also a director of: CableLabs, a North American cable television research organization; the CCTA and the Cable Standards Foundation. In addition, Jim is a director of various companies including At Home Corporation. In 1997, he received national recognition as one of the top 40 executives under the age of 40.

MANAGING BALANCE FOR THE NEW MILLENIUM

SHAW is and always will be at the leading edge of multimedia technology. Our balance sheet is strong because our corporate philosophy is strong. We will continue to grow our business and revenues by ensuring that every aspect of the Company remains in balance.

THE FUTURE IS NOW!

Certain challenges do lie ahead: The cable industry is in a state of constant change and there are regulatory issues that must be addressed as our industry expands, consolidates and becomes more global. However, the corporate modifications we've already made and continue to make will create a business model capable of capitalizing on opportunities as the communications industry evolves.

Propelled by the scope of our operations, the depth of our financial resources, the dedication and commitment of our employees and our pre-eminent position in our industry, SHAW will continue to make significant investments in our people, technology and service offerings. This strong competitive advantage allows us to shape the future by addressing and instituting fundamental operating and technology advances NOW! This proactive approach assures that we will continue to meet our current and longer term strategic goals. We're already a part of a future that will play to our strengths and present unprecedented opportunity for SHAW and its customers, shareholders, employees and other stakeholders.

[Signed]
JR Shaw
Executive Chair

[Signed]
Jim Shaw
President and Chief Executive Officer

SHAW gets Canadians 'connected' - to the Internet, to new and exciting programming opportunities - much of it developed and produced in Canada - by means of advanced technology which represents a powerful investment in Canada and the future of the multimedia experience in our country.

We know that SHAW's future prosperity will grow from our ability to deliver the most complete range of high quality products and services to our customers. We will not stray from that vision - nor turn our back on that reality.

JIM SHAW

financial highlights

Years ended August 31

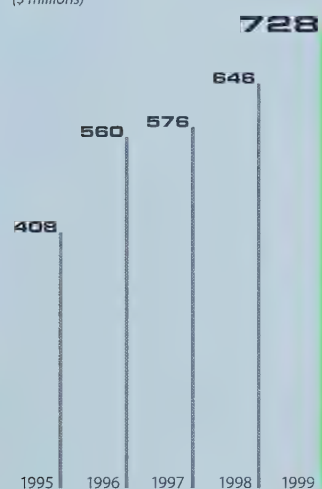
(thousands of dollars except as indicated)

	1999	1998
RESULTS OF OPERATIONS		
Total Revenue	728,287	645,973
Operating Income before interest, amortization and income taxes	313,209	272,197
Net income	45,793	13,525
Cash flow from continuing operations	210,759	149,742
Capital expenditures	313,780	252,763
PER SHARE DATA		
Cash flow per share	\$ 2.19	\$ 1.84
Earnings (loss) per share	\$ 0.23	\$ (0.01)
Weighted average shares outstanding (000s)	84,416	73,649
FINANCIAL POSITION		
Total assets	3,734,395	3,256,453
Long-term debt	1,410,659	1,402,478
Shareholders' equity	1,777,556	1,415,597
Debt to cash flow ratio	3.81 to 1	3.86 to 1
CABLE TELEVISION		
Basic subscribers	1,532,147	1,507,589
Revenue per subscriber	\$ 419	\$ 394
Operating income per subscriber	\$ 189	\$ 179

SHAW Communications Inc. is a diversified Canadian communications company whose core business is providing broadband cable television services to approximately 1.8 million customers. SHAW also has significant interests in direct-to-home satellite television services and Internet access as well as providing telecommunications services to individual and business customers. SHAW is traded on the Alberta, Toronto and New York Stock Exchanges.

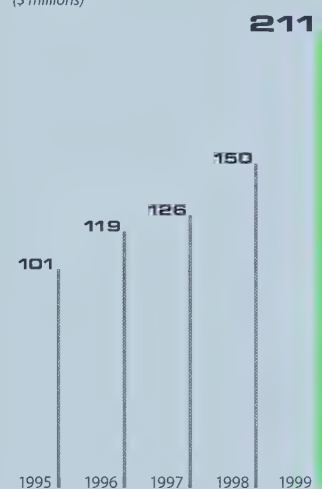
total revenue

(\$ millions)



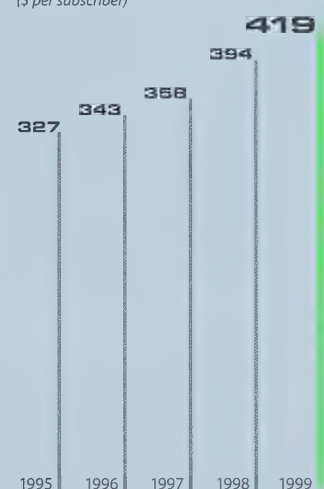
total cash flow from operations

(\$ millions)



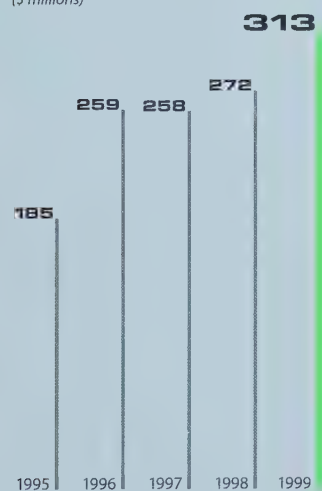
cable revenue

(\$ per subscriber)



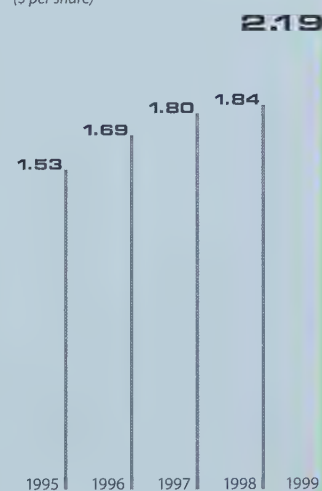
total operating income

(\$ millions)



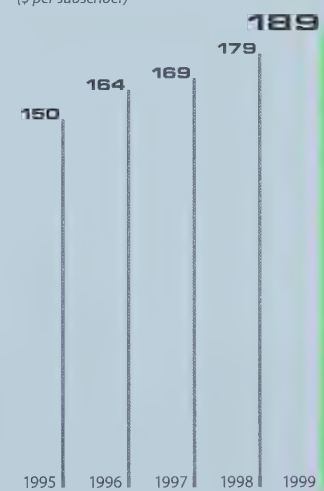
total cash flow

(\$ per share)



cable operating income

(\$ per subscriber)



SHAW cablesystems

Digital Cable Television
and Conditional Access

Today, approximately 1.8 million homes across the country are connected to the future with SHAW cable. We open up a world of entertainment, information and communications. With an impressive combination of broadcast networks, specialty channels and premium services to choose from, SHAW customers see more movies, sports, news, comedies, drama, children's programming, multicultural programming and community programming than ever before. Digital cable is transforming the viewing experience with expanded channel capacity, superior picture sharpness and CD-quality sound. Interactive television allows our customers to create their own entertainment or learning experience. The expanding channel universe has increased programming choice and quality. Shaw@Home is making high-speed Internet access a rich multimedia experience for almost 150,000 of Canadian households. And at SHAW Cable, we're continuing to work on more and better ways to connect our customers to the future.

CLUSTERING. SHAW operates cable systems in large clusters in Canada's most attractive markets while linking smaller communities to these clusters with fiber. This strategy allows SHAW to leverage its technology and infrastructure to achieve exceptional economies of scale and scope.

SIGNIFICANT SUBSCRIBER GROWTH

Innovative enhancements in SHAW cable services and creative marketing have once again enabled the Cable Division to achieve impressive subscriber growth in both basic and specialty tier services exemplified by the performance of our Calgary and Greater Toronto systems.

CLUSTERING OF CABLE SYSTEMS ACHIEVES IMPORTANT ECONOMIES OF SCALE AND SCOPE

More than 90% of SHAW's cablesystems are clustered in 6 major urban markets – most with very favorable demographics and growth potential. *Clustering* creates significant operating efficiencies by sharing facilities and services thereby reducing operating redundancies. SHAW has achieved a critical mass of customers in its larger markets by acquiring cablesystems complementary to SHAW's existing clusters and through strategic acquisitions of new clusters.

For example, SHAW recently acquired the cablesystems serving approximately 20,000 customers in Chilliwack, B.C. and integrated them with the Company's contiguous cluster of cablesystems headquartered in Kelowna. In September, 1999, SHAW also acquired Access Communications and Fundy Communications Inc. which represent a significant critical mass of over a quarter of a million customers in Atlantic Canada joined by a single



@Home

Search

Index

@ Home

STRAP YOUR SHATES ON
... make news of NHL camps

THE WINNER IS ...

Who will win
... journey?

THE WINNER IS ...

FINANCE: EBay and
... down on later market

ES IN WEDLAND

TYLE: See how ladies

rch

How Do I...

Tools & Toys

Showcase

NewsWire

SHAW changed my life forever...

SHAW@HOME changed my life forever. As a student aiming toward a Bachelor of Commerce degree at Ryerson Polytechnic University in Toronto, many of my assignments and presentations required extensive Internet research but the deadlines were always very tight. Because of its tremendous easy-to-use transparent interface and exceptional speed, Shaw@Home always delivered exactly what I needed when I needed it. Fast access and download times made it possible for me to assemble my research materials, copy them to disc and take them to the university where I had the time for both complete comprehension and to prepare powerful presentations that really helped my grades. Shaw@Home is always reliable and the Shaw people are always helpful. I am very impressed with everybody at Shaw. Without them and Shaw@Home, I wouldn't have gotten my degree and a great start in life.

Tim Holbrook

BACHELOR OF COMMERCE



Shaw @ Home

Location:

View Shaw Home.com

Home

E-mail

Finance

Games

Lifestyle

Shopping

Sports



Search

How Do I ...

Tools & Toys

Showcase

Help

Day 6 from the Sydney Olympics

network with significant opportunities to lower signal distribution, marketing and telecommunications costs, and to create a menu of programming and Internet-based services throughout the two provinces.

THE POWER OF EFFECTIVE ASSET UTILIZATION

SHAW's extensive cable infrastructure in Calgary and Toronto is in the process of being upgraded from 550 megahertz to 750 megahertz capacity. The harvested 550 megahertz equipment is being deployed in smaller systems which are being upgraded to offer a broad range of new, interactive digital services.

This past year, SHAW also accelerated the deployment of two-way networks in all of its cablesystems to enable it to offer interactive services such as Shaw@Home high speed Internet and digital cable services to customers. During the past six months, over 550,000 customers in the following communities benefited from this initiative: Sault Ste. Marie, Thunder Bay, Prince Albert, Swift Current, Moose Jaw, Lethbridge, Penticton, Kamloops, Prince George, Chilliwack, Duncan, Nanaimo, Parksville, Port Alberni, Courtney/Comox, and Powell River. SHAW Digital Cable is now available to over 95% of SHAW's customers.

Shaw@Home customers have been using the high-speed cable Internet service to surf the Web and stay in touch with friends, family and colleagues. Now, they can also stay in touch

SHAWSTORE.COM IS A CANADIAN CABLE FIRST. In 1999, SHAW illustrated its commitment to the Internet and e-commerce by launching www.shawstore.com. SHAW is the first Canadian cable company to offer an on-line retail store. Customers can now conduct e-commerce transactions and purchase merchandise and videotapes from programmers such as A&E, Life Network and MuchMusic.

with SHAW, purchase items and conduct on-line transactions at their convenience. The shawstore.com site adds to the value of our relationship with our customers and enhances SHAW's profile in the marketplace.

SHAW RETAIL CENTRES A HIT WITH CUSTOMERS

Over the past two years, SHAW has established new connections with its customers by launching retail outlets in many of its service areas. Located in high profile shopping malls and cable system offices, these retail centres and kiosks provide a convenient point-of-presence for customers and offer an additional marketing platform for SHAW's products and services.

In 1999, SHAW introduced a new retail strategy by partnering with key retailers to offer SHAW products and services through high-profile point-of-purchase displays in their stores. This strategy focuses on offering SHAW cable-related products and services in attractive bundles at very competitive price points.

Our competitive advantage - customer service

In an extremely competitive industry, SHAW leads through technological and service innovation and exemplary customer service. Customer satisfaction is SHAW's top priority. It must be the best. That is why the Company's training and orientation program emphasizes interpersonal and customer communication skills and a knowledge of all aspects of the business. In conjunction with SHAW's *Cable University* training program and an enhanced incentive program, the Company has instituted the *Above & Beyond* program which recognizes and rewards employees who have "gone the extra mile" for customers.

SHAW wants to ensure that each of our customers has a positive experience whenever they choose SHAW. All employees are empowered to take ownership of every process that involves customers. For Shaw@Home customers alone, there are over 150 highly-trained technical service personnel available 24 hours a day to answer Internet-related questions at no charge.

MULTIMEDIA IN THE HOME. During 1999, SHAW completed significant network upgrades to enable two-way cable transmission for the delivery of high-speed Internet access, impulse pay-per-view, Web-enabled interactive TV and bi-directional service.

SHAW's fiber-optic backbone

SHAW uses fiber optic technology to segment each of its large licensed areas into nodes of 2,000 or fewer homes. Discreet signals can be narrowcast to each of these nodes, permitting the efficient use of system bandwidth or channel capacity to accommodate increased demand for high-speed Internet access or video-on-demand. SHAW's fiber infrastructure delivers exceptional signal quality and reliability and positions the Company for the continued growth in new services. It also yields important economies of scale; SHAW FiberLink uses the fiber network to offer high-speed telecommunications services to business customers.

Fiber optics deliver communications at the speed of light. A single fiber optic strand can carry over a trillion bits of information per second. SHAW's network now includes over 360,000 fiber strand kilometers – and continues to grow.

PRODUCT ENHANCEMENTS SPUR GROWTH

In 1999, SHAW enhanced its menu of products and services with the addition of ethnic programming, the enhancement of SHAW TV in Calgary, and the launch of the SHAWTVon-line website. This website gives customers the opportunity to see what's available on SHAW in their community through a rich, video-enhanced multimedia experience. The service, which debuted in Calgary, has been extended to the Greater Toronto area and is being rolled out across the country.

BRANDING AND INNOVATIVE RETAIL STRATEGIES HELP MAINTAIN SHAW'S LEADERSHIP

To maintain SHAW's leadership in a competitive market requires powerful sales and marketing tools and campaigns. In addition to major annual marketing campaigns for each product line – Digital Cable, @Home, and cable – SHAW mounts frequent sales events in each of its communities by supplementing local sales personnel with 'special events' specialists. Shaw@Home is an excellent example of a service that customers need to see firsthand to believe. As well, SHAW continues to build equity in its brand by testing bundled packages in individual markets and subsequently offering them nationwide.

DIGITAL CABLE AVAILABLE TO EVERY SHAW HOME. In just over two years since SHAW became the first North American cable company to launch digital cable, the Company has exceeded forecasts by deploying more than 121,000 Digital Cable Terminals (DCTs). In January 1999, SHAW announced a \$100 million investment to make digital service available to over 95% of its customers.

BUNDLING PROVIDES CUSTOMERS MORE CHOICE AND VALUE

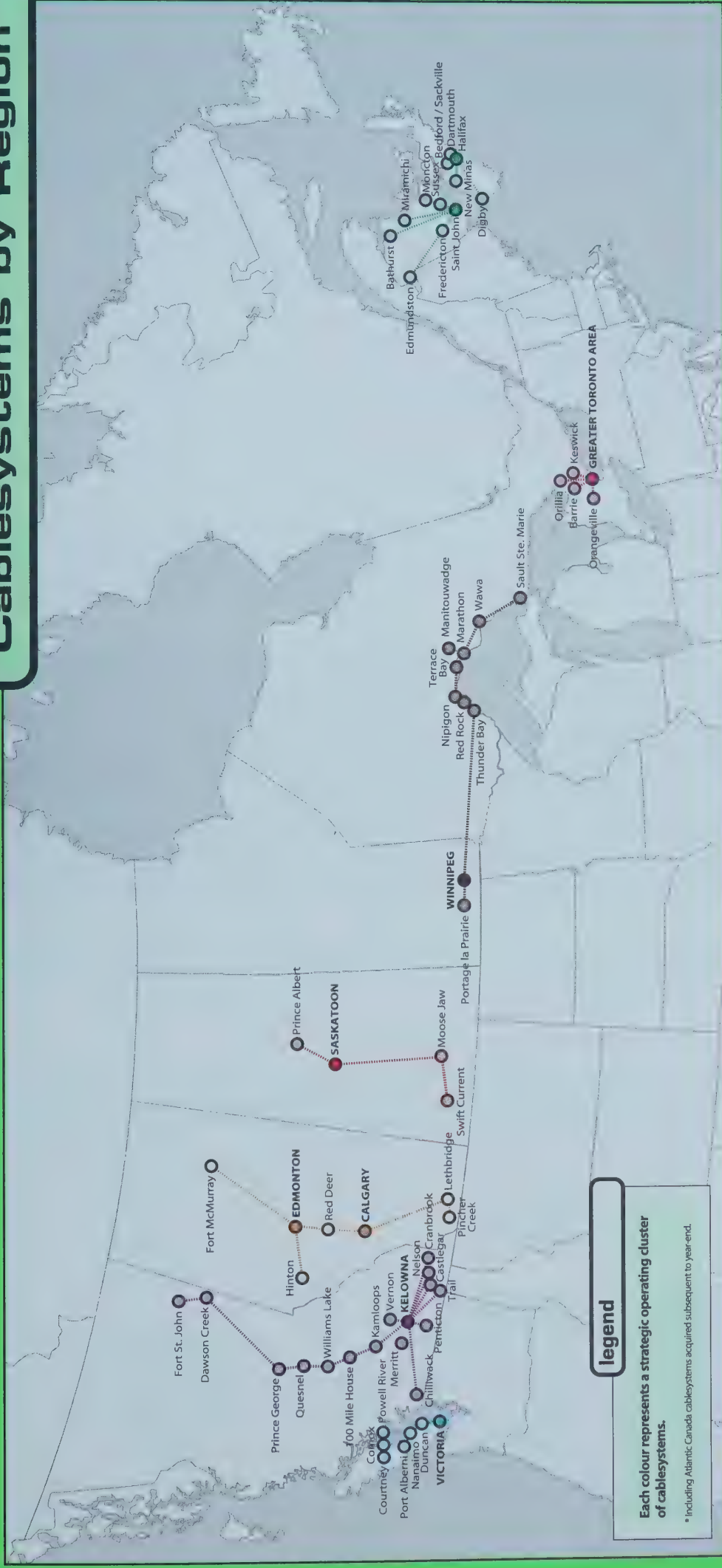
SHAW looks for natural bundling opportunities to provide customers with even more choice when buying multiple services. For example, in September 1999, SHAW announced the "Total Entertainment Package," a new competitive bundling offer for digital cable services across Canada. The retail driven value-packed assortment of premium entertainment includes five U.S. Superstations, specialty movie channels including TMN/Superchannel multiplexes, free additional outlets and 30 channels of Digital Music Express (DMX) for only \$49.95 – a tremendous cost savings for television and music entertainment enthusiasts across Canada. In addition, starting in December 1999, digital cable and Shaw@Home will be bundled to provide customers with even more value.

SHAW@HOME

CANADA'S INTERACTIVE CONNECTION

Shaw@Home is quickly revolutionizing Internet access with its high speed, "always on" attributes – 100 times faster than conventional telephone access. These features, combined with rich multimedia content, have made Shaw@Home one of the most successful new services in the history of the company. In September 1999, Shaw@Home provided Internet service to over 147,000 customers.

Cablesystems by Region*



Legend

Each colour represents a strategic operating cluster of cablesystems.

* Including Atlantic Canada cablesystems acquired subsequent to year-end.

Cablesystems

Qualitative Factors

SUBSCRIBER STATISTICS AS AT AUGUST 31, 1999

BASIC SUBSCRIBERS BY REGION	HOMES PASSED	SUBSCRIBERS	PENETRATION
● Calgary / Red Deer / Edmonton / Hinton Fort McMurray / Lethbridge area	623,087	471,989	75.8%
● Greater Toronto / Barrie / Orillia / Borden area	506,299	407,627	80.2%
● Vancouver Island including Victoria / Duncan / Nanaimo and area	277,120	214,263	77.3%
● Kelowna / Penticton / Vernon / Kamloops / Chilliwack area	167,256	125,433	75.0%
● Winnipeg / Thunder Bay / Sault Ste. Marie area	194,829	154,715	79.4%
● Saskatoon / Prince Albert / Moose Jaw / Swift Current	123,460	82,787	67.1%
Other systems	112,798	75,333	66.8%
TOTAL CABLESYSTEMS	2,006,849	1,532,147	76.3%

FULL CABLE SERVICE	SUBSCRIBERS	PENETRATION AS % OF BASIC
Tier I	1,324,313	86.4%
Tier II	1,206,669	78.8%
Tier III	895,886	58.5%

SHAW @ HOME	TWO-WAY HOMES PASSED	SUBSCRIBERS	PENETRATION AS % OF HOMES LAUNCHED
Connected and scheduled installations	1,423,000	130,841	9.2%
DIGITAL	DIGITAL HOMES PASSED	SUBSCRIBERS	PENETRATION AS % OF HOMES LAUNCHED
Digital	1,467,607	121,000	8.2%

CLUSTERING STRATEGY

- Over 90% of Shaw's subscribers are clustered in 6 major market areas which creates operating efficiencies through shared facilities and services.

FAVOURABLE DEMOGRAPHICS

- Over 75% of Shaw's subscribers are located in areas with favourable demographics and growth potential.

DIGITAL COMPRESSION TECHNOLOGY

- 98% of basic subscribers have access to digital services.

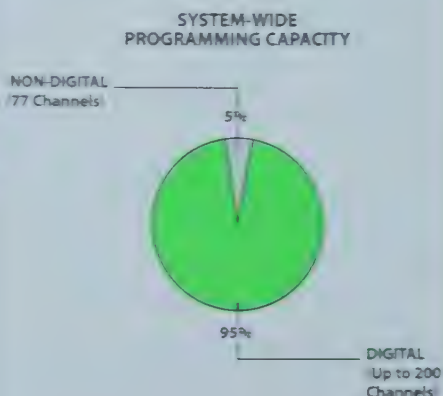


TWO-WAY PLANT

- 80% of Shaw's cable network has two-way capability, and will reach 90% by the year 2000.
- Two-way capability dramatically expands the range of services offered by cable: impulse pay-per-view; SHAW @ Home high-speed Internet; web-based interactive TV; and, in the future, IP telephony.

PROGRAMMING CAPACITY

- Through a combination of analog and digital signals, SHAW is able to offer up to 200 channels.



SHAW@HOME IS STELLAR

Shaw@Home continues its exceptional performance with the addition of almost 85,000 customers in fiscal 1999. Successfully launched in communities such as Kelowna, Vernon, Penticton and Nanaimo (B.C.) and Barrie (Ontario), Shaw@Home is available to approximately 1.4 million SHAW customers. The momentum in subscriber growth is continuing, with the current growth rate for new @Home customers averaging 300 – 350 per day.

Shaw@Home is more than high-speed, it's rich multimedia content. The Shaw@Home experience includes full motion video, digital audio and exclusive multimedia content, including the hottest games, video news and CD quality sound, developed by top content providers across North America.

To accommodate the rich graphics and multimedia features that make up the Shaw@Home service, Shaw@Home created a special window to give customers a unique on-line experience. When a customer clicks on the @home desktop icon, the Shaw@Home Page instantly appears on the screen with three user-friendly sections; the Cover Feature section – providing the latest local and national news; the Shaw@Home Index section – previewing stories and features across the entire service; and the channels section – allowing quick access to up-to-the-minute information on news, sports, finance, lifestyle, games, shopping and more. The Shaw@Home Page sections, along with the convenient navigational

IN ADDITION TO INCREASED SIGNAL QUALITY, SHAW's digital service dramatically expands the range of services offered including: an interactive electronic program guide, parental controls, 3D digital music formats through Digital Music Express (DMX) CD quality audio, new specialty and ethnic services, cable exclusives such as NFL Sunday Ticket™, and up to 50 channels of impulse pay-per-view.

tools such as hypertext linking, gives customers quick and easy access to the latest information on the Internet.

In 2000, SHAW will expand its Internet business with the introduction of a new television based Internet service. Interactive television presents the opportunity for new and exciting product and service offerings, including: enhanced electronic program guides; personalized news; interactive broadcasting; the World Wide Web on the television; interactive advertising providing a customer with the opportunity to order a product on-line with the click of a button; e-mail and chat features; and access to an extensive assortment of e-commerce sites.

OPPORTUNITIES FOR GROWTH

Consumer demand for high-speed Internet access is growing exponentially. In less than two years, almost 10% of SHAW's customers have chosen to access the Internet and the World Wide Web through Shaw@Home. In the next five years, with the proliferation of Internet appliances (smaller and cheaper personal computers, digital set-tops, digital television sets), we expect over 40% of our customers will have some form of Internet access. With the most advanced Internet Protocol based network in the world, we will be at the focal point of this revolution.

SHAW telecommunications

SHAW FiberLink, the business telecommunications division of SHAW Communications, is a facilities-based networking communications company. SHAW FiberLink provides scalable fiber optic connections enabling a variety of business telecommunications applications. FiberLink has grown over four folds in the last three years and is anticipated to experience significant growth in the foreseeable future.

SHAW FiberLink supplies businesses with fiber optic connections between their locations. FiberLink provides high speed, bandwidth-on-demand™ for information access, dissemination and security for a wide range of private and public sector organizations. Applications include local area network (LAN) computer communications, video conferencing, Internet access, head office to remote office billing system links, the movement of large data files between sites, and dedicated voice circuits.

COMPLETE, SCALABLE SOLUTIONS

The quality, speed and scalability of FiberLink's business information solutions continue

SHAW FIBERLINK AGAIN POSTED SIGNIFICANT RETURNS
by focussing on local fiber access, end-to-end business networking solutions, high-speed Internet access and high quality service 24 hours a day, seven days a week.

to win new sales from Fortune 500 companies such as EDS Systemhouse, Suncor and The Toronto-Dominion Bank, and from government agencies and educational institutions such as the Region of York, the York Region Separate and Public Boards of Education, the City of Scarborough, the City of Vaughan, the Calgary Regional Health Authority, Centennial College, the Saskatoon Library System, Alberta Public Works and the British Columbia Government.

The division's largest customers are Canadian long distance carriers such as AT&T Canada, Sprint Canada, Bell Nexxia and ACC. These companies use FiberLink to provide connections from their major long distance installations in a particular city to specific customer locations. Telecommunications service providers such as Clearnet and Microcell, as well as Internet service provider UUNet, use FiberLink to connect remote sites to their main facilities.

FiberLink grew its client base significantly in 1999 – including such major institutions as the Bank of Montreal – through the deployment of a new I.P. network which offered individual companies direct-to-end-user ATM, Virtual Private Network (VPN), Web-hosting, security, remote access, e-commerce and customized Internet integration services.

DEDICATED TO PROVIDING NATIONAL SERVICES WITH HIGH RELIABILITY

High-density local fiber networks serve customers in major Canadian centers including Calgary, Edmonton, the Greater Toronto area, Victoria and the Vancouver Island, the British Columbia Interior, Saskatoon and Winnipeg. In Greater Toronto, the

The background of the image is a blurred, artistic representation of a fiber optic network. Numerous thin, multi-colored lines (red, orange, yellow, green, blue) are visible, suggesting light traveling through optical fibers. Two thick, bright green curved lines sweep across the frame, one from the top left and another from the bottom left, framing the central text. The overall color palette is dominated by warm, glowing tones from the fiber lights, contrasted with the cool green of the swooshes.

FiberLink

Company offers continuous fiber optic coverage for the major business areas in the cities of Markham, Richmond Hill, Vaughan, Woodbridge, Orangeville, Barrie and the city of Toronto.

SHAW COMPLETES NEW LANE ON THE INFORMATION HIGHWAY

In addition to extensive local networks, SHAW builds, owns and operates fiber optic facilities between its various service areas. In 1999, SHAW's fiber network was extended to Fort McMurray to provide faster, better quality services to area businesses and deliver @Home services to SHAW's cable customers. This network connects Fort McMurray to the SHAW's pre-existing information highway corridor of Edmonton, Red Deer, Calgary, Lethbridge and south to the U.S. border.

The new 427 kilometer fiber link between Edmonton and Fort McMurray was constructed along the pipeline right-of-way of Suncor Energy Inc. Suncor is using the connection to improve its phone and data communications, and other area businesses now have the option of obtaining high-speed voice, data, video and Internet connections from FiberLink. Already considered one of the most wired cities in Canada (80% of Fort McMurray residents own home computers as compared to the national average of 58%), the new fiber connection will accelerate the arrival of digital TV

QUALITY SERVICE. Shaw FiberLink's engineering, field operations, and network management staff are dedicated to delivering the highest quality customer service. Their extensive experience in sophisticated high speed networks combine with FiberLink's advanced infrastructure to provide industry-leading network performance.

in the city and provide a leading-edge infrastructure for future multimedia products and services as they evolve.

INTERNATIONAL CONNECTIONS ON THE INFORMATION HIGHWAY

To provide customers with international connections, FiberLink maintains cross-border gateways in British Columbia, Alberta and Ontario. Through these gateways, FiberLink interconnects with major U.S.-based telecommunications carriers including AT&T, Sprint and MCI WorldCom.

Fiber Network



Fiber Network Statistics

FIBER NETWORK	STATISTIC
Route kilometers of fiber	4,800
Strand kilometers of fiber	230,000
Fiber points of presence	974
Business customers	1,200
High speed circuits	5,000
Carrier customers	AT&T Canada
	Sprint Canada
	Bell Nexxia
	RSL COM Canada Inc.
	ClearNet
	Microcell
	MaxLink
	UUNet
Fortune 500 customers	EDS Systemhouse
	Suncor
	Syncrude Canada Ltd.
	Bank of Montreal
	The Toronto-Dominion Bank Financial Group
Public sector customers	York Region Board of Education
	Government of Alberta
	Calgary Regional Health Authority
	Centennial College
	City of Vaughan
	City of Scarborough
	Okanagan University College
Products and services	Data, Video, Voice and Internet Bandwidth on Demand™ delivered over fiber optic SONET (Synchronous Optical Network) and ATM (Asynchronous transfer Mode) networks
Applications	Dedicated and switched data circuits for LAN, MAN and WAN connectivity
	Virtual Private Networks
	Video conferencing
	eCommerce
	Corporate Internet and Intranet
	PBX to PBX tie trunks

SHAW PAGING

CANADA'S PERSONAL CONNECTION

Thousands of times each day, 7 days a week, 365 days a year, Canadians across the country count on SHAW Paging to stay in touch with clients, the marketplace, family and friends. As part of the SHAW group of companies, SHAW Paging has the products, services, people and commitment to provide Canadians with the best paging services and products that technology has to offer.

THE FIRST WITH THE BEST

SHAW Paging provides paging services over state-of-the-art 900 MHz networks and high-density provincial and city-wide paging channels. In addition to offering a wide variety of paging options – including real-time voice, tone, numeric and alphanumeric – SHAW Paging was the first national paging company to introduce alphanumeric transcription service, a unique service which allows customers to leave a complete voice message which is then automatically transcribed to text and delivered to an alphanumeric pager.

MARKET OPPORTUNITY/MARKETING REDIRECTION

Paging market penetration is 18 percent in the United States and 30 percent in some

STATE-OF-THE-ART TECHNOLOGY. SHAW FiberLink provides data, voice, video, national and international gateway Internet services via scalable and fully redundant SONET and ATM fiber optic networks. SHAW FiberLink provides unparalleled fiber optic network reliability with over 4,800 route kilometers and 230,000 strand kilometers of fiber. This extensive network is monitored 24 hours per day, seven days per week from its national network management center.

Asian markets but just 5 percent in Canada, leaving room for growth. The most significant growth in the U.S. market has been in the consumer and retail sector. SHAW Paging has moved rapidly to take advantage of similar Canadian growth through positioning itself in the retail market and leveraging paging with other SHAW consumer products such as cable television and residential Internet.

advanced applications that deliver real benefits

SHAW FiberLink's high-speed connections increase productivity, reduce costs and enable advanced applications. A strong part of the SHAW FiberLink family is its strategic alliances with powerful, leading-edge hardware partners such as CISCO Systems, Lucent, Nortel, Fore Systems and Fujitsu – partners that help bring robust business solutions to FiberLink customers across Canada.

SHAW MEDIA IS NOW Corus Entertainment Inc.

SHAW's vertical integration strategy was key to developing and nurturing its media business – a business which reached a scale where separation of these assets was the necessary next step towards realizing their full potential. Consequently, on September 1, 1999, a new publicly traded media company, Corus Entertainment Inc., officially commenced operations. The new company will accelerate the development and expand the potential of Corus's television and radio assets by providing direct access to capital for growth on the merits of its individual vision and strategies. As an investment vehicle, it will provide a unique opportunity for investors to participate directly in the fast-growing and dynamic specialty television and radio sectors.

Corus Entertainment's objective is to become Canada's premier media company. The entertainment properties forming Corus's base are strong performers in their categories and are popular choices with Canadians.

Corus's television assets include YTV, Canada's #1 youth network, Treehouse TV, the first

THE CREATION OF CORUS OFFERS GREAT OPPORTUNITY for the further development of its growing portfolio of entertainment properties. The Corus management team brings a fundamental focus on growth, profitability and value creation; a focus that has been at the core of SHAW's success since the Company's inception.

specialty network dedicated to pre-schoolers and CMT, Canada's country music television network. Corus also owns equity positions in three other specialty networks: Comedy (15%), Teletatino (20%) and Teletoon (20%). Expansion plans for the specialty television business include applications before the CRTC for three new specialty networks: Chaos, targeted at teens; The Edge, a music video network focusing on alternative music and The Food Network.

Corus Entertainment will also be a leading player in Canada's radio industry with 14 radio stations across the country. In addition, DMX, Canada's leading digital music subscription service, and Digital ADventure (formerly SHAW Advertising Services), the group responsible for local cable advertising, infomercial sales and television listing services, are now a part of Corus Entertainment.

CORUS IS ALREADY A GROWING CONCERN

Subject to regulatory and other approvals, Corus would expand dramatically with the addition of Western International Communications Ltd.'s (WIC) media assets which include 12 radio stations in key markets, equity positions in two specialty networks – Family Channel (50%) and Teletoon (20%) – and the pay television properties – Viewer's Choice Pay Per View, Superchannel and MovieMax! – and an 80% interest in a video-on-demand service.



COUNTRY MUSIC TELEVISION SM

Corus changed our lives forever...

CORUS changed our lives by helping Farmer's Daughter launch and build a successful music career. Farmer's Daughter is a Canadian Contemporary Country Music group formed seven years ago by three Prairie girls. The music industry is extremely competitive. It's vital to reach people by every possible medium – radio, print and, especially, through music videos. But U.S.-based artists are able to invest a lot of money in the production of their videos and we knew ours had to be at least equal in quality and impact. That's where CMT came to our rescue.

Through CMT's Video Incentive Program, Canadian artists like us get \$150 dollars each time our video is played on CMT. Largely because of this support, our group has been able to make ten excellent videos that brought strong recognition and were instrumental in our success so far. By airing our videos regularly, CMT gave us terrific exposure to country music fans and also broadened our fan base by attracting others to our music and concerts.

This fall, we were finalists for Group of the Year and performed at the Canadian Country Music Awards Show. We also launched a new Greatest Hits CD, with a new music video to support it, that is doing really, really well. Thanks CMT – we couldn't have done it without you!

***Jake Leiske,
Shauna Rae Semiograd,
Angela Kelman***

FARMERS DAUGHTER
MUSICAL GROUP




POKÉMON
catch 'em all!

PowerLink
fiber connection



corus
ENTERTAINMENT

CKRY
CISN
CHQT
CFOX
CKLG
CIZZ
CFNY
CHAY
CING
CKDK
CFPL
CKGY
CFHK


volume


treble

On September 9, 1999, Corus entered into an agreement, subject to CRTC approval, to acquire all of the Canadian broadcasting assets of Power Broadcasting Inc. (PBI), consisting of 17 radio stations and four television stations in the provinces of Ontario and Quebec. This package of assets, which generates in excess of \$37 million in revenue includes 11 Ontario radio stations between Guelph and Kingston and six Quebec radio stations between Montreal and Rimouski. The television stations in Ontario (CKWS-TV, CHEX-TV, Peterborough and CHEX-TV, Oshawa) and Quebec (CHAU-TV) are affiliates of the CBC and TVA respectively.

The addition of the WIC and PBI radio stations would bring Corus's total to 43 properties across the country. It would also give Corus properties in four of the top six markets in Canada. With this large portfolio, Corus Entertainment would strengthen its position as a key player in both Canada's radio and programming industry well into the next millennium.

CORUS TEAM

In anticipation of Corus's September 1st launch, the restructuring and reorganization of SHAW's media assets and personnel have been in progress for over a year. The Corus senior management team includes:

- Heather Shaw is Executive Chair. Previously Ms. Shaw was President of SHAW Advertising Services and President of DMX Canada (1995) Ltd. and an officer and director of SHAW Communications Inc.

WHAT'S IN A NAME? The name Corus Entertainment reflects the goal of becoming one of Canada's leading entertainment companies with the creative community, customers and investors.

- John Cassaday, most recently President and CEO of SHAW Media, is now President and Chief Executive Officer. Previously Mr. Cassaday was President and CEO of the CTV Television Network.
- Thomas C. Peddie, most recently President and CEO of WIC, Western International Communications, is Senior Vice President and Chief Financial Officer. Mr. Peddie was previously CFO at the CTV Television Network.
- Paul Robertson is President, Television. Mr. Robertson is currently President of YTV, a position he will continue to hold. Mr. Robertson has broad experience in television sales and marketing with CTV and Baton Broadcasting and a successful track record as the President of YTV for the past two and a half years.
- J. Terry Strain is President, Radio. Mr. Strain has successfully built SHAW Communications into a leading player in Canadian radio and will be responsible for the integration of new radio acquisitions. Mr. Strain is a career broadcaster with extensive senior management experience in both radio and television.
- Susan Mandryk has joined the Corus team as Vice President, Market Development. Ms. Mandryk has been managing YTV's marketing and communications activities for two years. Her previous experience includes senior marketing positions at American Express and Bell Canada.

- Laura Thanasse is Vice President, Human Resources. Prior to joining Corus, Ms. Thanasse held a number of increasingly more responsible human resource roles in consulting firms and corporations, most recently with Labatt Brewing Company Ltd.



CHILDREN LOVE YTV - AND SO DO THEIR PARENTS

What better place to showcase children's programming than on YTV, Canada's premier specialty network. YTV's founder, the late Dr. Geoffrey R. Conway, believed in quality programming for children and that tradition continues. Since its launch in 1988, YTV has grown to become Canada's premier specialty network for children and families and is now available in over eight million Canadian households. YTV serves audiences aged 2-17 and provides 40 hours per week of non-commercial programming for pre-schoolers.

YTV is the clear favourite with children, holding an audience share that is 50% larger than its nearest competitor. YTV reaches over 9 million viewers weekly. During 1999 YTV added over 200 thousand subscribers – keeping YTV on track towards its objective of becoming Canada's most broadly distributed service.

YTV holds the broadcast rights to 18 of the top 20 children's shows in Canada. Its

YTV IS WELL-WEBBED. Since the incredibly successful launch of the YTV Web site in 1997, weekly hits have grown to well over four million, making it the most popular children's site in Canada. YTV.com has won several awards including the Promax International Silver Medallion Award and the Web Canada Maple Award for outstanding design and content. The site is now attracting substantial sponsorship revenue and will provide an e-commerce platform for YTV.

program schedule boasts over 70 percent Canadian content in prime time. Since its inception, YTV has been one of the most active commissioners of children's and family-oriented programming in the world, working closely with a wide range of Canadian production companies and triggering over \$600 million in Canadian programs. This dedication to quality Canadian programming has earned YTV more than 120 programming, on-air promotion and marketing awards, including 20 this past year.

THE EXCELLENCE CONTINUES

YTV is recognized as an expert on children with its widely cited annual *YTV Tween Report*, and an ongoing children's advisory panel *SWAT*. Already world-renowned for its powerful branding and programming excellence, YTV continually seeks to strengthen its core business and create new streams of revenue. This past year, the YTV brand was extended into new businesses – YTV *WHOA!* Magazine and YTV merchandise sold through *Store Galore*, YTV's on-line store, and through YTV's community based *Weird on Wheels* Tour. YTV is enjoying new revenue growth through strategic partnerships with advertisers, an increase in advertising content from 8 minutes to 12 minutes per hour in family programs, and increased sales of YTV produced/co-produced programming. While seeking to enhance its growth potential, YTV will continue to deliver the quality programs that have made it the acknowledged leader in children's television.

CORUS TELEVISION PROPERTIES THAT GUARANTEE FUTURE SUCCESS

In addition to YTV, Corus continues to expand its portfolio of well-received Canadian services including:

- Treehouse TV – the first and only network dedicated to children under the age of six. Featuring the best in Canadian and international programs, it has already proven to be a hit with pre-schoolers across the country and is currently distributed to over 4 million homes.

Corus has applications before the CRTC for the following specialty networks:

- CHAOS – a specialty network focused on Canada's teens.
- The EDGE – a video flow service specializing in alternative music; and
- The Food Network – a Canadian version of the successful U.S. Food Network.

CMT

COUNTRY MUSIC TELEVISION

CMT is Canada's only 24 hour music and entertainment network that mixes the best of contemporary country with folk, Celtic and roots music. Seen in over 7.2 million households from coast to coast, CMT has proven itself as a strong

DIGITAL RADIO HAS ARRIVED. Many of Corus's radio stations broadcast in both analog and digital – an enriched service that provides CD-quality music and data casting for the transmission of information including traffic messaging and paging, as well as a variety of specialty services for commuters. Corus is a founding member of Digital Radio Research Inc. (DRRI), (continues ▶)

service with an exceptionally loyal viewing audience. Ranked as one of the strongest networks with adults and women 18 – 49, CMT consistently delivers the ratings for this favourable demographic.

CMT's original blend of Canadian programming and world-class specials continue to raise the network to exciting new levels. Viewers respond in record numbers to CMT's live coverage of major concert events and award shows, behind-the-scenes features and one-on-one interview specials. Many of these CMT productions have earned national awards of excellence. Future plans include the further development of these programming features for international sales and distribution as well as the continued development of CMT's Internet and merchandising initiatives.

Dedicated to the development of Canadian artists and the Canadian production industry, CMT's Video Incentive Program (CMT VIP) has financially assisted approximately 300 Canadian artists in producing more than 700 videos. To date, the CMT VIP program has invested more than \$11 million dollars towards the development of talented Canadian country performers such as Shania Twain, Terri Clark and Paul Brandt.

RADIO

CANADA'S DIGITAL CONNECTION

Radio is a powerful medium for covering local issues and events and responding to listener demand. Corus Radio operates fourteen radio stations in three provinces. Some are leaders in the most competitive radio markets in Canada. Others serve smaller communities, but every Corus radio station is dedicated to delivering the kind of programming our listeners ask for and enjoy.

STRATEGIC GROWTH FOR LONG TERM SUCCESS

Corus's radio strategy is focussed on strengthening its position in southern Ontario and other major markets across the country by acquiring complementary stations to the maximum allowed under current CRTC regulations. As part of this strategy, effective September 1, 1999, Corus acquired London radio stations CFPL-AM, CFPL-FM, and CFHK-FM. CFPL-AM, known as CFPL Radio 98, one of Canada's first radio stations, has served London and surrounding area listeners for over 76 years, and is the market leader for news and information. CFPL-FM96, one of Canada's first FM stations, celebrated its fiftieth anniversary in 1998. Featuring the best elements of adult-oriented modern rock, CFPL-FM is the overall market leader in London. CFHK-FM, The Hawk, is a classic hits station and has been in operation for the past five years. All three stations operate from the same facility in

(continued from previous page) a tripartite body comprising the Government of Canada (Heritage Canada and Science and Technology), the Canadian Broadcasting Corporation and private members of the Canadian Association of Broadcasters. Corus's investment in ORRI has provided the Company with access to the latest digital radio technology from around the world.

London. These very attractive radio stations represent a significant addition to the Corus Radio group of stations and will allow us to better serve our listeners and advertisers in the important Ontario market.

TARGETED ON SUCCESS

Corus's extensive radio experience gives the Company the unique capacity to assess individual markets and apply the marketing activities, station format and interactive service offerings with the most potential for sustained success. That is why nearly all of the Company's radio stations are leaders in their markets. In this past year, a number of the Company's stations enhanced their services for improved results:

CFOX-FM in Vancouver continued ten years of audience growth – once again ranking number one with its core audience of men 18 – 34. The station also significantly increased its market area by winning a licence to rebroadcast its programming via CFOX 92.3 in Whistler, B.C. Now, those travelling to, and enjoying the skiing, snowboarding and other recreational activities at one of Canada's premier resort areas can take CFOX along for the ride.

CFOX has also increased its interactivity with listeners via live audio streaming through the station's Internet site. The site actively encourages e-mail contact with the station and has allowed CFOX to develop a database of e-mail addresses which are used to direct

special promotional offers to Web-enabled listeners. In addition, CFOX will begin digital broadcasting by the end of the year.

Sister station **CKLG-AM** has tightened its format to arrest a long term decline in audience and revenue and expects to increase audience share as the new play-by-play broadcaster for the Vancouver Grizzlies NBA team.

CKRY-FM, Country 105 in Calgary, received honours from the Canadian Country Music Association (CCMA) as Canada's Country Music Station of the Year – for the seventh consecutive year – and the station's morning team were named the CCMA Morning Team of the Year. As Canada's leading country station, CKRY achieves success by staying close to its listeners. This past year, the station undertook extensive audience research that resulted in a new, more focussed programming schedule and enhanced its Internet presence by offering *real audio* on the Web.

CFNY-FM 'The Edge' in Toronto continues to be English Canada's most listened-to rock music station with powerful appeal for the 18 to 34 year old market (55% males and 45% females). In 1999, The Edge delivered even more innovative interactive rock programming including the opening of a storefront studio near Toronto's busiest downtown intersection. Listeners can walk in anytime and watch the broadcast personalities 'on air'. In addition, listener interactivity is enhanced through Web audio streaming, digital broadcasting and Input 102 which puts listener comments on the air daily.

LEADING A DIGITAL BREAKTHROUGH FOR CONSUMERS.
As part of **DRRI**, Corus is working with Pioneer and other consumer electronics manufacturers, to develop and market digital radio. By removing the quality difference that currently exists between the AM and FM bands, digital radio is sure to enjoy strong consumer demand and add the potential of new revenue streams for Corus Radio.

DIGITAL MUSIC EXPRESS (DMX)

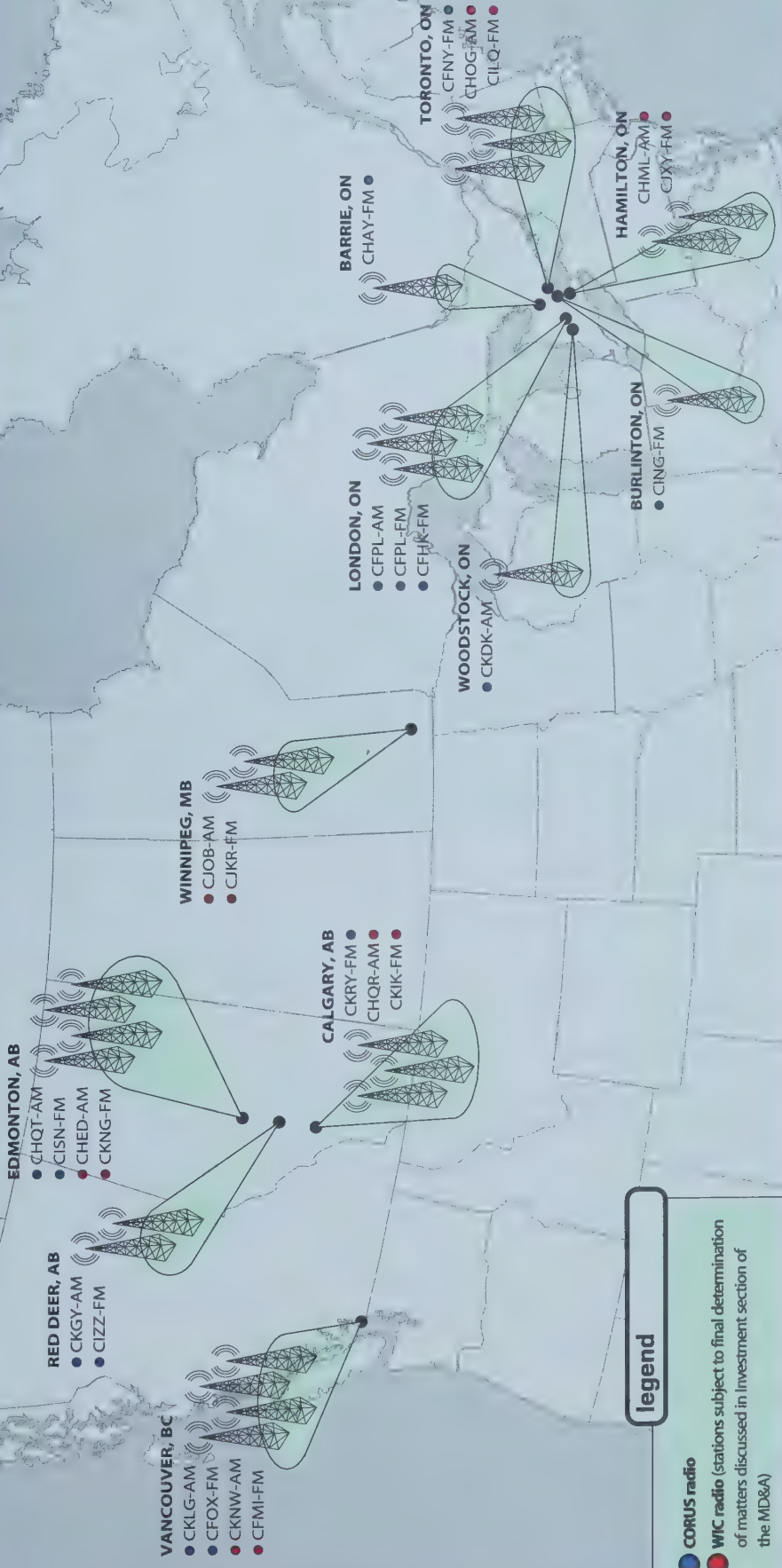
DMX Canada is the premiere digital audio service in the nation, delivering uninterrupted digital quality music in formats ranging from Classical to Rock, Jazz to Country, Oldies to Rap, commercial free and 24-hours-a-day, every day .

DMX is provided by DMX Canada and is 80 percent owned by Corus. Although the market for direct digital audio services is becoming more competitive, DMX has emerged as the dominant market leader. The cable and DTH satellite industries – including SHAW Cable and Star Choice – have made a strong commitment to DMX which should open up a future of opportunity. Moreover, the inclusion of DMX in Corus, with its powerful line-up of programming services, will bring synergistic benefits in the development of expanded and enduring relationships with MSO's across the country.

DMX FOR BUSINESS

DMX for business has been distributed in Canada since 1994 and offers commercial customers over 90 channels of music from a library of nearly one million song titles in a variety of languages. Since its introduction in 1996, the value-added DMX *on-hold* service has also proven quite successful. It allows businesses to promote new products or provide other information to customers by recording a special message over a music background.

CORUS Radio 26 Stations



Corus Radio

Station Formats and Ranking

MARKET	STATION	FORMAT	RANKING BASED ON PRIME DEMOGRAPHIC
Vancouver	CFOX-FM	Rock	#1
	CKLG-AM	Adult Contemporary	#13
Edmonton	CISN-FM	Country	#1
	CHQT-AM	News / Adult Contemporary	#3
Red Deer	CIZZ-FM	Rock	#1
	CKGY-AM	Country	#2
Calgary	CKRY-FM	Country	#1

**CORUS STATIONS REACH APPROXIMATELY
4 MILLION CANADIAN LISTENERS EVERY WEEK**

Toronto	CFNY-FM	New Rock	#1
Burlington	CING-FM	Contemporary Hit Radio	#1
Barrie	CHAY-FM	Adult Contemporary	#2
Woodstock	CKDK-FM	Contemporary Hit Radio	#1
London	CFPL-FM*	Modern Rock	#1
	CFPL-AM*	News / Talk	#4
	CFHK-FM*	Classic Hits	#4

*Acquired September 1, 1999.

During fiscal 1999, DMX for business grew by 17.5% percent to 5,700 customers, the majority of which are local accounts with multi-year agreements. DMX for business excelled in the past year selling in excess of \$1,000,000 in audio equipment, also considered a growth area for DMX. The Division's continuing focus on the DMX national network is expected to yield even stronger sales results in fiscal 2000.

RESIDENTIAL DMX

The Company launched a 30-channel DMX service for residential subscribers in the spring of 1997. SHAW Cable includes DMX as part of its digital offering and charges for the service at a high-penetration, low-cost package price. The response has been remarkable – with customers choosing CD quality sound from a broad menu of music genres designed to appeal to their specific tastes.

Residential DMX service is expected to enter a new growth phase in the coming months as the rollout of digital cable and the extension of Star Choice and other DTH broadcast services indicate continued strong growth in the DMX residential subscriber base in the next fiscal year.

DIGITAL ADVENTURE

From B.C. to Ontario, Corus is making television an accessible medium for businesses to connect with over 1,500,000 homes. Through TV Listings, Broadcast News, The Real

NEW INITIATIVES FOR THE NEW MILLENNIUM. Corus will continue to expand the scope, quality and value of its advertising services relative to competitive options. The multimedia universe is an area in which there are tremendous opportunities for growth. For example, in the next year, The Real Estate Teleguide will be made available both through TV and the Internet. In addition, the division will increase returns from its existing production facilities and in-house expertise by aggressively marketing its all-media production services to advertisers and agencies.

Estate Teleguide, The Wheel and Wave Teleguide and The Shoppers Teleguide networks, high-frequency television advertising is providing businesses with a communication vehicle to target local markets. It is dynamic, cost-effective television advertising for any organization requiring extensive local and/or national reach.

Now a part of Corus, Digital ADventure (formerly known as Shaw Advertising Services) remains as an important supplement to the Corus's core business. With Corus's media focus, Digital ADventure is expected to accelerate performance through growth and product diversification.

Satellite

On August 31, 1999, Canadian Satellite Communications Inc. (Cancom) and Star Choice entered into a reorganization and share exchange agreement resulting in the creation of the largest Canadian satellite services company serving residential and business customers. The Star Choice/Cancom partnership will provide significant strategic benefits for both organizations and it will provide Star Choice with the financial resources necessary to ensure continued leadership in the rapidly expanding DTH industry.

Through the Cancom/Star Choice share exchange, SHAW acquired approximately 35% of Cancom on a fully diluted basis. The WIC investment, subject to CRTC and other approvals, provides the opportunity for SHAW to own an additional 28%, for a total of 63%. Cancom is traded on the Toronto and Montreal Stock Exchanges under the symbol SAT.

CANCOM

Cancom is Canada's leading company in evaluating, selecting, integrating and implementing satellite-based telecommunications solutions. The acquisition of Star

THE ACQUISITION OF STAR CHOICE BY CANCOM has created a new and dynamic satellite company capable of achieving multiple revenue streams from a common infrastructure.

Choice by Cancom has created a much stronger company, building on a strategy of developing three complementary revenue streams – DTH, uplinking and wholesale distribution – all from a single cost base.

A COMPLETE SATELLITE SOLUTIONS COMPANY

CANCOM BROADCAST SOLUTIONS

A digital multi-uplink network providing a wide range of Canadian and U.S. TV and radio channels to distributors such as cable and direct-to-home undertakings, as well as network management services to broadcasters and specialty services across North America and the Caribbean.

CANCOM LEARNING SOLUTIONS

Interactive satellite solutions delivering distance learning as well as marketing and corporate communications for business and government.

CANCOM TRACKING

Provides continent-wide two-way mobile tracking, messaging, tether-less trailer tracking and driver e-mail for the Canadian trucking industry.



STAR CHOICE changed my life forever...

STAR CHOICE changed my life because now I can watch wrestling. I'm eight years old, in grade three and live near Port Hawkesbury on Cape Breton Island. There's no cable where we are and we only had an antenna so I couldn't watch my favorite sport, wrestling – especially Sting and the WWF. So, I started saving money to buy a satellite dish system. It took over two years to save up from Christmas, birthdays and stuff – but I filled a 10 litre Fleecy bottle with money. It took my mom, Darlene, two days to roll all the coins and I ended up with \$758 – enough for a Star Choice system and the first four months of programming.

The first time I tried to order a Pay Per View wrestling show, the Star Choice lady said I was too young. When my mom and I explained to her that I had paid for the system, she thought that was really something and told other people at Star Choice. They were real nice. They sent me Shawn Michael's glove, a prepaid phone card to call my favorite wrestlers, a Stone Cold Steve Austin backpack and wallet ... and even a full-size cutout of Stone Cold that I keep in my bedroom. But best of all, on my birthday, they flew my dad, Duncan, and me to Toronto to see *Raw is War* live at the SkyDome. It was my first time away from home and it was awesome! Star Choice is great and now I can watch wrestling any time I want.

Roy Stark
WRESTLING FAN



français

STAR CHOIX

news

weather

sports

travel

music

movies

specialty

479

WEDNESDAY
SEPT 23 2000

07:47

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CHINE

479

27

CANCOM DATA SOLUTIONS

Provides fixed multi-protocol, Internet/Intranet-based networks, integrating satellite-reliant solutions to other telecommunications environments.

GLOBALSTAR CANADA

Cancom is the lead partner in Globalstar Canada, the Canadian service provider for the worldwide Globalstar satellite-based communications system. The other partners in Globalstar Canada are AirTouch Satellite Services and Loral Space & Communications. The Canadian joint venture is one of a group of service providers in over 100 countries, that will offer wireless voice and data communications virtually anywhere in the world via a low-earth-orbit (LEO) satellite system, using hand-held satellite telephones with standard portable numbers.

STAR CHOICE COMMUNICATION INC. (A WHOLLY OWNED SUBSIDIARY)

Under the terms of the share exchange agreement, Star Choice is now a wholly owned subsidiary of Cancom. Star Choice is a leading Canadian DTH service provider that is competing effectively in the multi-channel programming distribution market. Star Choice has already achieved significant market penetration – growing to approximately 241,000 subscribers in fiscal 1999, an increase of 121% over the previous year.

CUSTOMERS CHOOSE. Star Choice lets customers build the home entertainment experience they want, with more than 140 channels of entertainment. Customers may select from four programming options – Bronze, Silver, Gold and Platinum. Within these options, the customer may select amongst "Your Choice" theme-based programming such as Family and Sports, and may also further customize their programming by choosing "More Choice" à la carte selections. Through the combination of the value-packaged offerings and customized add-on choices at discounts, the customer receives a personalized programming line-up at an economical rate.

A DISTINCT COMPETITIVE ADVANTAGE

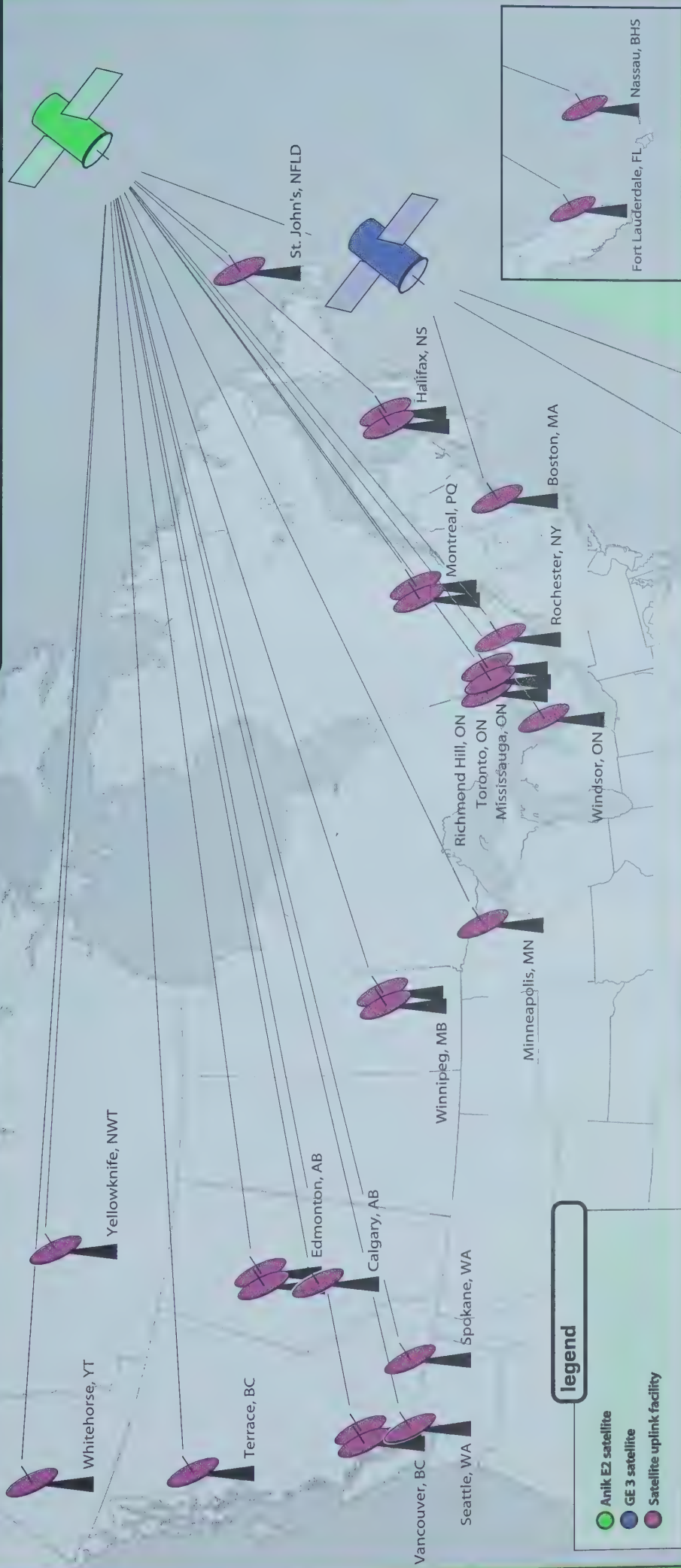
Star Choice is one of two licensed DTH satellite operators distributing digital subscription video and audio programming services throughout Canada. The Company also provides uplink services to Canadian specialty and pay television programmers. Star Choice's programming packages have been designed to maximize consumer interest, appeal, choice and control at competitive prices. These services are sold through a Canada-wide distribution network of 4,000 dealers including Radio Shack, Canadian Tire and Sears.

SKY-HIGH TECHNOLOGY

Star Choice offers the highest quality and most comprehensive equipment and programming package available in Canada. It has access to 15 RF channels on Canada's Anik E-2 satellite which enable a satellite service of over 100 video and audio channels. Star Choice has adopted General Instrument's DigiCipher II digital compression technology to beam its programming to subscribers' 24-inch satellite-receiver dishes.

General Instrument is a world leader in systems for the interactive delivery of video, voice and data. Its DTH receivers deliver laser-disc quality video and CD-quality audio with an extensive selection of user features, including an interactive programming guide.

Satellite Uplink Facilities

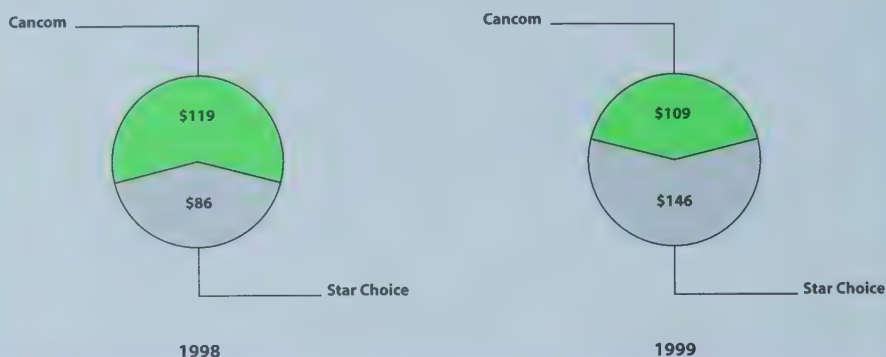


Satellite

Star Choice / Cancom Solutions

COMBINED REVENUES

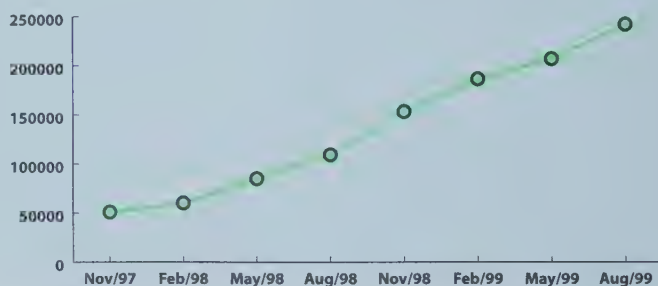
COMBINED REVENUES OF CANCOM AND STAR CHOICE
(in \$000,000s)



STAR CHOICE SOLUTIONS

Star Choice provides competitively priced satellite delivered audio, video, and pay-per-view programming choice to Canadians.

GROWTH IN STAR CHOICE DTH SUBSCRIBERS



CANCOM SOLUTIONS

Cancom Broadcast Solutions	Delivers television signals and network management to the broadcast and cable industries
	Serves 2,270 cablesystems with 17.5 million channel subscriptions across North America and the Caribbean
	4,900,568 homes reached
	40 top Canadian and U.S. television signals
	25 radio signals
	99.9% network availability
Cancom Learning Solutions	Designs, builds and manages satellite-based interactive distance learning and training systems for business
Cancom Tracking Solutions	Provides tracking and messaging services across the continent for the Canadian trucking industry
Cancom Data Solutions	Designs, implements, and manages multi-protocol networks for medium-sized and large businesses

Star Choice currently broadcasts its programming and services over Telesat's Anik E2 satellite. In October 1998, Star Choice announced its decision to convert its platform to Telesat's Anik F1 satellite, the world's most powerful commercial satellite, which is scheduled to launch in fiscal 2000. This new satellite will provide Star Choice with up to 30 transponders enabling it to offer significantly more channels to existing and prospective Star Choice customers. Anik F1 will also provide competitive benefits over alternative high-powered satellites including a seamless transition from Anik E2 without the need for re-pointing hardware or any disruption of service. Anik F1 will provide a strong national signal and premium quality and programming benefits for Star Choice customers.

SKY-HIGH GROWTH

Star Choice expects to grow strongly over the next decade. There are currently over 11 million television households in Canada. Approximately one-third of these households are either unserved or under-served by cable or have chosen not to subscribe to cable services. These are Star Choice's primary markets. Its extensive programming options – including French language and other niche programming packages, all delivered in Dolby audio – will attract subscribers looking for a competitive offering or those who are underserved in terms of cable channel capacity.

OUR TOMMOROW BEGINS RIGHT NOW with Star Choice's Navigo 401 state-of-the-art receiver. The Navigo 401 offers Intelligent Navigation with a 7-day on-screen Interactive Programming Guide. Customers may search by interest, customize up to four favourite programming lists and set the timer for up to 25 events. Best of all, the new Browse Banner feature lets customers view the guide without missing a minute of the current television program. The Navigo 401 Receiver also offers Dolby Digital surround sound, is HDTV ready and has S-Video to promote the sharpest image.

CREATIVE MARKETING INITIATIVES SPUR GROWTH

Star Choice is confident that its customers will enjoy the ultimate home entertainment experience with Star Choice's extensive programming, including features such as Intelligent Navigation™, Dolby® Surround Sound and a crystal clear digital picture. This confidence resulted in Star Choice being the first Canadian DTH provider to provide a 30 day money back guarantee. Customers have 30 days to try Star Choice, and if not completely satisfied, they receive their money back on the system, programming, and installation. Star Choice has also developed programs with its retailers, such as the Preferred Partners Program, the debut sales program and other incentives to drive sales and build business.

EXCEPTIONAL CUSTOMER SERVICE

To ensure maximum levels of customer service, Star Choice has built a Customer Care Call Centre, based in Fredericton, New Brunswick, which offers seven-days-a-week, 24-hour service in both English and French. The Call Centre employs many of the latest technology advancements enabling customer service representatives in New Brunswick to instantly activate customer systems, change programming options and troubleshoot technical concerns anywhere in Canada. In November 1998, Call Centre facilities were expanded to house a 15,000 square foot state-of-the-art complex employing over 220 employees.

SHAW in the community

SHAW Philanthropic Program
Community Programming
Cable-in-the-Classroom
SHAW Children's Programming Initiative
TLT SHAW Project
TV & More

As a corporation and as individuals, SHAW is unreservedly committed to the communities it serves. Through community and charitable activities, community programming, radio promotions, sponsorships and in a thousand other large and small ways, SHAW and its employees connect with its communities – to make a difference!

SHAW PHILANTHROPIC PROGRAM

Reflecting its origins as a family run business, SHAW endeavors to respect and support the interest and values of the communities it serves by actively participating in community and charitable activities. We maintain this participation through various mediums, including the Shaw Children's Programming Initiative, the Shaw Television Broadcast Fund, the Teddy Bears for Children in Distress program, the Community Initiatives program and Quarterly Grant Program.

Since 1985, SHAW has donated \$4.7 million to charitable organizations such as the Canadian Foundation for the Love of Children, Kids Kottage and the Manitoba Museum.

A PROVINCE-WIDE EDUCATION PARTNERSHIP. In June, SHAW announced a major initiative to provide funding for the expansion of Alberta's Teaching and Learning with technology (TLT) program. This new three-year partnership, the TLT SHAW Project, was developed in conjunction with the Alberta Regional Consortia. Comprised of curriculum integration and mentorship components, the project was launched with a series of TLT SHAW Summer Institutes to be held in six regions across Alberta. *[continues]*

SHAW continues the tradition of giving through ongoing commitments to campaigns such as the Calgary Parks Foundation, Millennium Park and the City of Kelowna Campaign for Cancer Care.

COMMUNITY PROGRAMMING

SHAW has always been committed to quality community programming and youth education. Since it began more than a quarter century ago, SHAW's community programming has evolved from a simple community message board into a vital cable television service called ShawTV.

Available as a basic service in all of SHAW's local cable operations, ShawTV takes community/television interaction to a new multimedia level. Viewers now have real-time access to current and long-range weather, traffic information, lottery results, community news bulletins, and seasonal information such as ski conditions and provincial park vacancies. This information is supported by daily newscasts that are updated regularly and that focus exclusively on every day life in the community.

CABLE-IN-THE-CLASSROOM

Launched in 1995, this national initiative aims at educating students and parents about the enriched learning opportunities available through cable television. Operated as a

non-profit corporation, Cable-In-The-Classroom is a public service effort funded by a majority of Canadian cable operators and program providers. As a member, SHAW is committed to the distribution of educationally-relevant, copyright-cleared, commercial-free English and French language cable television programming services. To this end, the Company provides continuous cable service to each publicly funded school in SHAW's licence areas at no charge.

SHAW CHILDREN'S PROGRAMMING INITIATIVE (SCPI)

Children watch more television than any other age group. SHAW understands its responsibility for ensuring that while they're watching, they have access to programs that not only entertain, but also stimulate creativity, imagination and learning. That is why the SHAW Fund was established in 1994. This \$10 million initiative makes financial assistance available to programming designed for children under the age of 13.

In July 1995, SHAW announced the creation of the Dr. Geoffrey R. Conway Programming Fund which represents an additional \$17.5 million dollars for pre-school children's television programming. For SCPI funded projects, preference is given to quality programming which is original, has demonstrated audience appeal, is in both English and French, provides closed captioning for the deaf and hearing impaired and promotes positive role-modeling and cross-cultural representation. Since 1995, SCPI has committed

(continued from previous page) **The summer institutes will provide an excellent opportunity for Alberta teachers to gain direct experience with educational technology and enhance their professional development programs. Following the summer institutes, teachers will share their curriculum integration skills with colleagues through the Consortia's TLT SHAW Mentorship Program. The project will also be supported by a Web site hosted by SHAW.**

over \$15.6 million for the development and production of 199 projects, many of which have gained national and international recognition.

In 1999, SHAW further enhanced its commitment to the production of high quality programming for children and families through its contribution to the Shaw Television Broadcast Fund (STBF). In conjunction with its funding partners Star Choice Television Network Inc., Eastlink Cable Systems and Access Communications Inc., the STBF committed nearly \$5 million to 29 productions in its first year of operation.

SHAW believes that television should be an enriching, positive part of childhood. SCPI helps to ensure that children have the opportunity to learn, grow and succeed in making their dreams a reality.

TV & ME - MEDIA LITERACY PROJECT

As a business concerned about youth, SCPI has partnered with the Concerned Children's Advertisers (CCA) to create TV&ME, a media literacy program designed for children in grades four to six. The pilot project was delivered across Alberta and reached over 61% of all Alberta children enrolled in this group. Selected CCA television commercials are supported by comprehensive lesson plans designed to empower children with the tools they need to be well informed, discerning viewers. The lessons incorporate life skills education messages such as self-esteem, decision making and peer pressure - skills that help children build healthy, productive lives.

TEDDY BEARS FOR CHILDREN IN DISTRESS

In times of distress, children can feel lost and alone so sources of comfort are invaluable. That is why SHAW introduced its Teddy Bears for Children In Distress program in 1989. The cuddly white bears are provided free of charge to community organizations and service groups across Canada. Bears are given to children in situations where they are frightened, sad or traumatized. Since its inception, the program has provided tens of thousands of SHAW Bears wherever children need a soft shoulder to lean on.

THE PEOPLE OF SHAW

SHAW-owned facilities and offices can be found in cities and towns across Canada. In each of these communities, you will find SHAW people who enthusiastically contribute their time, money and energy in support of a multitude of national and local causes. In 1999, SHAW people were particularly busy in their communities:

- ❑ Radio station 99.3 The FOX, Vancouver, held its second annual Radiothon to benefit BC Children's Hospital. The 12-hour live broadcast raised almost \$22,000 through donations and the auction of a Fender Double Fat Strat guitar autographed by all the members of Black Sabbath.
- ❑ The staff of SHAW Nanaimo supported the Heart and Stroke Foundation. The "Big Bike Ride" volunteers put their 58 legs to work and through pledges raised \$1,700.

SHAW'S DONATION PRACTICES are based on the Imagine Campaign whereby 1% of our 5 year average pre-tax income is donated to charity. SHAW actively participates in community and charitable activities in areas where the Company has operations. We maintain this participation through such vehicles as the Shaw Children's Programming Initiative, the Shaw Television Broadcast Fund, the Teddy Bears for Children Distress program, the Community Initiatives program and the Quarterly Grant Program.

- ❑ SHAW employees in Richmond Hill, Ontario responded to the "Kids Can Free the Children" campaign to collect necessities for the Kosovo refugees. In their customary *Above and Beyond* way, they gathered clothes, towels, soap, toothbrushes, diapers and toys for those people in need so very far away.
- ❑ The citizens of Kamloops, SHAW Communications and CMT rallied together to help the family of a recent murder victim by auctioning off tickets to a Shania Twain concert. The response was overwhelming, especially considering the contest started just two days before the concert. In total, \$4,045 was raised for the Doug Gormley Trust Fund.
- ❑ In Lethbridge, Alberta, SHAW TV and many SHAW volunteers joined with other local media outlets to support the Care from the Heart Telethon in support of the Lethbridge Regional Hospital Foundation. The telethon was a great success – raising \$405,000 for a new breast biopsy system for the Women's Cancer Project, to complete work on a children's unit, and for other necessary equipment.
- ❑ A group of Montreal Shaw Paging employees were among those who participated in the 11th Annual Easter Seals 24-Hour Relay, raising \$3,000 for specially adapted equipment, designed to aid disabled children to live more autonomously.

Multiply these stories of commitment a hundred times over, and it is evident why SHAW is an integral part of every community it serves – and also why it is true that our strength is our people.

Certain statements in this report may constitute forward-looking statements. Such forward looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

HIGHLIGHTS

OPERATIONS

- Revenue from continuing operations increased by 12.7% to \$728.3 million in 1999.
- Operating income before interest, amortization and income taxes from continuing operations increased by 15.1% to \$313.2 million (43.0% of revenue) compared to \$272.2 million (42.1% of revenue) in 1998.
- Cash flow per share from continuing operations was \$2.19 in 1999 compared to \$1.84 in 1998, an increase of 19%.
- Basic cable television subscribers increased by over 19,000, a growth rate of 1.3%.
- Tier III subscribers grew by over 20% in 1999.
- Subscribers to Shaw@Home Internet access service reached 130,841 at August 31, 1999, representing 9.2% of homes passed, resulting in Shaw being the leader in the North American market.
- Programming and radio both experienced strong results in revenue and operating income despite increased competition. On a combined basis, revenue and operating income grew by 10.1% and 12.4% respectively.
- Continued upward momentum in FiberLink results highlighted by 63% growth in revenue and 150% increase in operating income.

FINANCIAL

- Issue of 4,000,000 Class B Shares on a 'bought deal' basis at \$65.00 per share on June 2, 1999, resulting in net proceeds of approximately \$250 million.
- Sales of shares of At Home, Terayon and Liberty, as well as other miscellaneous assets, generated a pre-tax gain of \$127.7 million.
- Shareholders approve the creation of Corus Entertainment Inc. on August 30, 1999.

ACQUISITIONS AND DIVESTITURES

- Sale of cable systems serving approximately 15,000 subscribers for \$17.2 million.
- Purchase of Chilliwack, B.C. cable system serving approximately 20,000 subscribers for \$37.9 million May 31, 1999.
- Access Communications Inc. – 83,500 equivalent basic subscribers purchased in Nova Scotia for \$167 million effective September 1, 1999.
- Fundy Communications Inc. – 192,000 subscribers purchased in New Brunswick for \$460 million effective November 1, 1999.

CABLE TELEVISION

Review of Results

(\$000s)	1999	1998
Total Revenue	637,107	589,332
Operating Income before Interest, Amortization and Income Taxes	287,676	267,159
Operating Income as % of Total Revenue	45.2%	45.3%
Revenue per Subscriber	\$ 419.00	\$ 394.00
Operating Income per Subscriber	\$ 189.00	\$ 179.00

management's discussion and analysis

SUBSCRIBER STATISTICS

	August 31, 1999	August 31, 1998 <i>Adjusted (1)</i>	Growth	% Increase
Basic Service:				
Actual	1,532,147	1,512,431	19,716	1.3%
Penetration	76.3%	77.0%		
Full Cable Service ("FCS"):				
Tier I	1,324,313	1,333,090	(8,777)	(0.7%)
Penetration as % of Basic	86.4%	88.1%		
Tier II	1,206,669	1,197,078	9,591	0.8%
Penetration as % of Basic	78.8%	79.1%		
Tier III	895,886	735,931	159,955	21.7%
Penetration as % of Basic	58.5%	48.7%		
Digital subscribers	121,000	70,000	51,000	72.9%

(1) Subscriber statistics adjusted for comparative purposes to exclude subscribers sold during the year and to include subscribers of Chilliwack, B.C. cable system at date of acquisition.

The growth of 8.1% in revenue and 7.7% in operating income are primarily the result of subscriber gains and rate increases. The most significant gains in basic subscribers and additional services occurred in the Calgary and Greater Toronto systems. Tier III was launched in the Fall of 1997 and was provided to subscribers free of charge until March 1998. This tier has experienced significant growth as a result of continued marketing effort and through growing popularity of the networks in the package. Overall basic subscriber growth in the range of 1.5% is anticipated in the upcoming year. Tier III is anticipated to achieve penetration rates similar to those in Tier I and II within the next two years.

Monthly rate increases averaging \$1.12 per basic subscriber were implemented in January, 1999, and basic and FCS increases of \$0.21 and \$1.04 respectively implemented in fiscal 1998 were in effect for the entire year in 1999. Effective September 1, 1999, rate increases averaging \$0.77 per basic subscriber were implemented to pass through the cost of TSN (The Sports Network), RDI (a French language news service) and APTN (the new aboriginal programming service). In addition, Full Cable Service Tier I rates were increased by \$0.75 per month in response to increased network fee costs.

Cable operating expenses are comprised of the following:

<i>(\$000s)</i>	1999	% of Revenue	1998	% of Revenue
Operations and administration	152,478	23.9%	148,710	25.2%
Network fees	149,157	23.4%	130,799	22.2%
Agreement and franchise charges	17,587	2.8%	17,825	3.0%
Copyright	13,745	2.2%	13,646	2.3%
Cable Production Fund	16,464	2.6%	11,193	1.9%
	349,431		322,173	

The absolute and percentage increase in network fees relates to the launch of Tier III of Full Cable Service in March, 1998. The current year results include twelve months of this package's network costs versus six months in 1998. In addition, TSN was moved to the basic tier in November, 1998, and only approximately one-half of the eligible pass-through network fee was included in the January, 1999, basic rate increase, whereas the Company absorbed the entire cost. The balance of the pass-through fee was included in the September 1, 1999, basic rate increase.

Agreement and franchise charges and copyright fees are based upon subscriber levels and, to a lesser extent, on income, and have therefore declined slightly in relation to revenue. Effective January 1, 1998, cable television operators were required to contribute 5% of their gross revenue to the development of Canadian programming. Approximately 2% is accounted for by the operations of community programming channels, while the balance is contributed to the Cable Production Fund in

cash at 2–3% (depending on size of system) of revenue. This levy was in effect for the entire year in 1999 versus eight months last year, accounting for the increase in relation to revenue in the current year.

SYSTEM ACQUISITIONS AND DIVESTITURES

- (a) Effective October 31, 1998, Shaw sold a number of non-strategic small cable systems serving approximately 15,000 subscribers in southwest Ontario. On an annualized basis, these systems generated approximately \$5.2 million in revenue and \$2.5 million in operating income. In addition, a small system in Saskatchewan was sold. Total sale proceeds were \$17.2 million.
- (b) Effective May 31, 1999, Shaw purchased the cable system serving approximately 20,000 basic subscribers in Chilliwack, B.C. for \$37.9 million. In fiscal 1999, this system had total revenue and operating income of approximately \$7.5 million and \$4.4 million respectively.
- (c) Effective September 1, 1999, Shaw acquired a 75% interest in Access Communications Inc. ("Access") and 100% of Access Cable Television Bedford/Sackville Limited ("Bedford/Sackville"). The Access Communications cable systems serve approximately 52,000 basic subscribers principally in Dartmouth, Kentville and New Minas, Nova Scotia. In addition, Access also owns a 45% interest in Halifax Cablevision Limited ("Halifax Cable") which serves approximately 70,000 basic subscribers in Halifax and a number of other communities throughout Nova Scotia. The Bedford/Sackville, Nova Scotia system has approximately 20,500 basic subscribers. Total revenue is projected to be approximately \$30 million in fiscal 1999 in the Access and Bedford/Sackville systems and approximately \$28 million in Halifax Cablevision.

The purchase price of approximately \$167 million (subject to adjustments for long-term debt and other liabilities at closing) was calculated on the basis of approximately 83,500 equivalent basic subscribers. Access's interest in Halifax was valued at approximately \$38 million in determining the purchase price. This transaction was completed in escrow on August 31, 1999, including the issuance by Shaw of 2,000,000 Class B Shares valued at \$82.5 million as part consideration for the purchase.

- (d) Effective November 1, 1999, Shaw will acquire 100% of the issued and outstanding shares of Fundy Communications Inc. ("Fundy"), which operates cable television systems serving approximately 192,000 subscribers, primarily in New Brunswick. These systems generated total revenue of approximately \$73 million in 1999. As part of the transaction, Shaw will acquire the telecommunications fiber backbone network which interconnects 90% of the communities served in New Brunswick. In addition, the network interconnects AT&T in Bangor, Maine through Moncton, New Brunswick to Halifax and Dartmouth, Nova Scotia. This fiber network spans 3,200 kilometers of which 2,700 kilometers are situated in New Brunswick and 500 kilometers in Nova Scotia. It is strategically important in that it will facilitate the launch of digital cable and Shaw@Home high speed Internet access service in both New Brunswick and Nova Scotia, as well as enabling Shaw to take advantage of other potential synergies and economies in the regions.

The purchase price for Fundy is \$460 million, approximately \$150 million of which will be satisfied by the issuance of Class B shares of Shaw. The shares will be valued based upon the 20-day average trading price immediately prior to closing the transaction.

These transactions will result in Shaw having a significant critical mass of over a quarter million subscribers in Atlantic Canada joined by a single network, with significant opportunities to lower signal distribution, marketing and telecommunications costs, and to create a menu of programming and Internet-based services that would be available throughout the two provinces. The projected operating income of the Atlantic Canada systems in the first full year of ownership by Shaw is approximately \$55 million.

COMPETITION AND TECHNOLOGICAL CHANGE

The cable television business faces competition from entities utilizing other distribution technologies and may face competition from other technologies being developed. In addition, recent regulatory and public policy trends favor the emergence of a more competitive environment for the delivery of a broad range of communications services.

Shaw's cable television systems generally compete with the direct reception of over-the-air local and regional broadcast television signals by antenna, and a variety of distributors of television signals to homes for a fee, including direct-to-home ("DTH") satellite services, satellite master antenna systems ("SMATV"), multichannel, multipoint distribution systems ("MMDS" and "LMCS") and telephone companies offering cable service.

In January, 1998 telephone companies became eligible to hold broadcasting distribution licenses. To date, no telephone company has filed an application for a full scale cable broadcasting distribution license in the same authorized service areas in which Shaw currently provides cable service.

On May 8, 1998, the CRTC issued temporary broadcasting distribution licenses to Bell Canada ("Bell") and Telus Corporation ("Telus") for the purpose of conducting market and service trials within limited geographic areas. Bell's license expired on May 31, 1999. Bell has since announced that it will not pursue a strategy of offering cable television services over traditional cable distribution networks. Under a license which expires on May 31, 2000, Telus is authorized to provide a package of broadcasting and telecommunications services to a total of approximately 3,400 subscribers in suburbs of Calgary and Edmonton containing the same programming services as authorized for distribution by the incumbent cable licensees. Under the terms of the trial, however, Telus is relieved from the distribution and linkage requirements imposed upon incumbent cable television licensees, provided that each subscriber receives a preponderance of Canadian services. Telus, although continuing to offer its service, has encountered some difficulties in introducing the digital aspect of its service.

DTH delivers programming by which signals are sent directly to receiving dishes from medium and high-powered satellites. Two DTH operators, Star Choice, a division of Canadian Satellite Communications Inc. ("Cancom") (35% owned by Shaw) and Express Vu, are currently providing DTH services in Canada.

MMDS delivers premium television programming by unobstructed line-of-sight microwave transmission to subscribers equipped with a MMDS receiving antenna. Historically, CRTC approval for MMDS service had been limited to a small number of rural areas in Ontario and western Canada. In October 1995, the CRTC announced that it would approve MMDS applications to compete with cable television service in a given service area. Subsequently, the CRTC granted licenses to Skycable Inc. and Image Wireless Communications to provide MMDS in certain cable service areas in Manitoba and Saskatchewan, respectively. Licenses have been issued to Look Communications Inc. to provide MMDS service in major markets of Ontario and Quebec and it commenced offering its services in Ontario in August, 1998. Initially, Look TV appears to be focused on the multiple dwelling units market. Less than 10% of Shaw's subscribers are in this category and multi-year agreements have been or are being entered into with the majority of these customers.

In February 1996, Industry Canada issued a call for LMCS applications. LMCS utilizes the 28 GHz range to provide wireless services which may include "wireless" cable television, Internet access, video conferencing and other multi-media services. Industry Canada issued licenses in November 1996 to three companies, WIC Connexus (a division of WIC which was purchased by MaxLink Communications in July, 1999), MaxLink Communications and RegionalVision to offer LMCS services in different Canadian markets. MaxLink Communications is authorized to provide LMCS service in large urban centers, whereas RegionalVision is licensed to serve smaller rural areas. WIC Connexus launched a test-site for its LMCS service in Toronto in April 1997. MaxLink Communications and RegionalVision have not announced their specific launch plans or dates. In order to offer programming services to subscribers in competition with incumbent cable licensees, LMCS

operators must first obtain broadcasting distributing undertaking licenses from the CRTC. To date none of the LMCS service providers has been licensed by the CRTC to operate a broadcasting distribution undertaking.

None of these competitors has had a material impact on Shaw's operations. Approximately 90% of Shaw's cable systems are concentrated in major urban markets having favourable demographics and growth potential, with the remainder in smaller clusters, linked via fiber optic distribution systems either to each other or to larger markets. Through this clustering strategy, Shaw maximizes the benefits of operating efficiencies, enabling it to be a low-cost service provider, which is a necessary component in strengthening its competitive position. In addition, Shaw plans to continue the deployment of new technologies to increase channel capacity, take advantage of its existing infrastructure to expand the range and quality of its services and to expand its programming and communication service offerings.

INTERNET

REVIEW OF RESULTS

(\$000s)	1999	1998
Total Revenue	40,113	8,362
Operating Income before Interest, Amortization and Income Taxes	10,021	1,381
Operating Income as % of Total Revenue	25.0%	16.5%

	August 31, 1999	August 31, 1998
Shaw@Home customers		
Connected	125,130	38,358
Scheduled Installations	5,711	7,499
	130,841	45,857
Two-Way Homes Passed	1,423,000	1,100,000
Penetration of Homes Launched	9.2%	4.2%

In its first full year of operations, the Shaw@Home Internet access service exceeded forecasted customer levels by over 30% and Shaw is the leading North American provider of the service. This growth has continued in the new fiscal year. At September 30, 1999, Shaw@Home had over 147,000 customers. According to Statistics Canada, at May 31, 1999, 58% of Canadian households had a computer, and 40% of those households had Internet access. Therefore, Shaw's @Home subscriber level represents approximately 40% of Internet access homes in Shaw's market areas at August 31, 1999, approximately double last year's level. This significant growth reflects the value which users place on the high speed and quality of the @Home service. Operating income was impacted by upfront marketing and technical/service costs associated with the launch and start up of the service during 1999. Margins are anticipated to commence moving toward those of other cable services in the upcoming fiscal year.

During the current year, Shaw, along with a number of its counterparts in the North American cable television industry, entered into a strategic alliance with Liberate Technologies, a U.S. corporation involved in the development of software to deliver Internet services to television and other outlets. Shaw expects to commence offering an Internet television service to its customers during the upcoming fiscal year.

COMPETITION

The principal competitors to Shaw's @Home Internet service are telephone companies and other Internet service providers ("ISPs") who operate telephone dial-up Internet access services. The @Home service access speed is significantly faster than its competitors' services, which has proven to be an important competitive advantage. The ISPs have requested access to cable companies' facilities to use the network to deliver their services, and the CRTC is currently reviewing this

management's discussion and analysis

issue. On September 14, 1999, the CRTC announced, as an interim measure pending a final decision, that cable operators must provide access to the ISPs for a fee equal to 75% of the "best" retail rate for the internet service within 90 days. However, there are many technical issues that must be resolved, such as the costs of modifications to the distribution system, ISP customer installation service fees and provisioning of modems, before the ISPs can have access to cable's distribution system. This interim measure is not anticipated to materially impact Shaw's @Home results.

TELECOMMUNICATIONS

(\$000s)	1999	1998
Total Revenue	32,192	19,748
Operating Income before Interest, Amortization and Income Taxes	12,176	4,864
Operating Income as % of Total Revenue	37.8%	24.6%
Operating Statistics:		
Fiber Points of Presence ⁽¹⁾	974	570
Fiber Route Kilometers ⁽²⁾	4,800	3,300
Fiber Strand Kilometers ⁽³⁾	230,000	197,000

(1) Number of locations at which services are accessible by potential business clients

(2) Length of the installed fiber network

(3) Fiber network capacity in terms of total fiber strands

Telecommunications revenue has increased in the current year as a result of continued growth in the customer base for both business telecommunications and Internet access services. This growth in revenue has enabled the division to improve its operating income in 1999 as the fixed portion of operating costs is spread over a larger base. The expansion of the fiber network and points of presence and moving customers from leased to owned fiber facilities is anticipated to facilitate continued revenue growth next year. The first two quarter results may be impacted as potential new customers may defer changes to their internal networks until after the commencement of the year 2000.

PAGING

(\$000s)	1999	1998 *Adjusted
Total Revenue	18,875	19,101
Operating Income before Interest, Amortization and Income Taxes	3,336	2,458
Operating Income as % of Total Revenue	17.7%	12.9%
Paging customers at August 31	133,629	128,436

* Adjusted to reflect sale of the message management division in 1998

Customer growth was achieved primarily through continuing advertising, co-marketing with other Shaw divisions and sales through a distribution network consisting of electronics, convenience and similar retail outlets. Total revenue has remained relatively constant with last year as competitive factors have resulted in a decline in average monthly revenue per customer to \$12.00 versus \$12.96 in 1998. Cost rationalization measures have proven successful in enabling the division to attain improved operating income in 1999.

SATELLITE

(\$000s)	1999	1998
Total Revenue	146,714	85,938
Operating Loss before Interest, Amortization and Income Taxes	(64,193)	(42,234)
Subscribers at August 31	241,438	109,231
Total impact on Shaw Consolidated Net Income	(60,761)	(25,304)
Per Share Impact	\$ (0.72)	\$ (0.34)

Star Choice experienced a very successful year in terms of subscriber gains, its key measurement of success. The principal source of new subscribers continued to be areas either unserved or underserved by other sources of television services. However, this faster than anticipated growth has resulted in higher losses than forecast due to the costs associated with acquiring subscribers.

On July 9, 1999, the CRTC approved the acquisition of Star Choice by Cancom. The combined entity commenced operations on September 1, 1999. Although the DTH business is anticipated to continue to incur losses for the next two to three years, the new entity will have a stronger financial position and Cancom's positive cash flow to support the growth. Upon completion of the transaction, Shaw's ownership position was approximately 35% and WIC owned approximately 28% of the new company. Shaw will account for its 35% interest in Cancom on the equity basis in the upcoming fiscal year until such time as the WIC situation is resolved.

FINANCIAL POSITION

INVESTMENTS

Shaw undertook a number of investment transactions during 1999, including the acquisition of positions in public corporations involved in telecommunications and media in both Canada and the United States. These purchases are consistent with Shaw's historical practice of acquiring shares in companies involved in these industry segments for investment and possible strategic purposes. The total cost of these purchases was \$173.5 million.

During 1999, the Company divested portions of its investments in At Home Corporation, Terayon Communication Systems and Liberty Digital Inc. These selective sales, were undertaken to take advantage of strengthening of market prices and to monetize a portion of the gains that had accrued to Shaw since the shares were acquired. At August 31, 1999, the Company maintained significant positions in At Home and Terayon through its ownership of shares and warrants. The 1.4 million shares of Liberty Digital owned by Shaw at August 31, 1999, were transferred to Corus Entertainment Inc. as part of the separation transaction on September 1, 1999.

Shaw has applied to the CRTC for approval of its acquisition of 49.9% of WIC's Class A voting shares and approximately 52% of WIC's Class B non-voting shares. On October 15, 1999, Shaw, Corus Entertainment Inc. and CanWest Global Communications Corp. announced that they had reached a resolution of all of the commercial issues outstanding between them, and are finalizing definitive agreements as to the manner in which they will restructure their interest in WIC. The proposed restructuring of WIC would result in Shaw acquiring WIC's interest in Canadian Satellite Communications Inc. and Corus acquiring all of WIC's radio broadcasting stations, certain of its pay and specialty television undertakings and certain other related assets.

PROPERTY PLANT AND EQUIPMENT

Total capital expenditures for 1999 were \$313.8 million (1998 – \$252.8 million). Forecasted capital expenditures in the 2000 fiscal year are approximately \$290 million.

The major categories of capital expenditures are as follows:

(\$000s)	1999 Actual	1998 Actual
Cable plant	180,500	166,000
Internet modems	60,300	23,800
Digital cable terminals	26,400	18,000
FiberLink	30,200	27,000
Other	16,400	18,000
	313,800	252,800

management's discussion and analysis

LONG TERM DEBT

OVERVIEW

Total long-term debt at August 31, 1999, was \$1.41 billion (including \$300 million of bank indebtedness repaid on September 2, 1999, as a result of the Corus separation). Pro-forma total debt to cash flow at August 31, 1999, based upon annualized fourth quarter results (after the \$300 million repayment and excluding Corus fourth quarter cash flow) was 3.3 to 1.

U.S. DENOMINATED INDEBTEDNESS

U.S. denominated debt at August 31, 1999, consisted of \$128.4 million under the syndicated bank loan facility and \$253 million of debentures. On September 2, 1999, approximately \$36.9 million of the U.S.\$ bank loan was repaid as a result of the Corus separation, resulting in a balance of approximately \$91.5 million U.S. Shaw has cross-currency interest rate swap transactions in place in respect of \$74.8 million of this amount at an average exchange rate of approximately \$1.34 and an average interest rate of 8.9% on the Canadian \$ equivalent amount. In respect of the principal repayments on the U.S. debentures, the Company has entered into U.S.\$ forward purchase contracts to purchase \$135.3 million U.S. at an exchange rate of \$1.375 and U.S.\$ put/call options which, given current market conditions, enable the Company to purchase a further \$55 million U.S. at approximately \$1.37 Canadian. Therefore, the unhedged portion of the U.S.\$ denominated debt is approximately \$79.4 million or approximately 23% of U.S.\$ indebtedness. The requirement for U.S. funds for the repayment of the unhedged principal is spread out over a number of years commencing in 2001.

CREDIT FACILITY

Pursuant to the Corus separation, Shaw repaid \$300 million pro rata between the revolving and term portions of the credit facility, thereby effecting a permanent reduction in the availability of funds under the revolving portion of the facility of \$150 million. In order to secure financing for continued growth, the Company has entered into a new operating loan agreement with a number of Canadian banks for a \$200 million revolving loan facility. In addition, as part of the Corus transaction, Corus will assume Shaw's rights and obligations under Canadian \$ interest rate swap agreements for \$144 million at an average rate of approximately 8.9%. Therefore, interest rates on \$277 million of Shaw's Canadian \$ bank indebtedness will be fixed at approximately 9.5% by way of interest rate swap agreements.

SHAREHOLDERS' EQUITY

PREFERRED SECURITIES

During 1999, Shaw amended the U.S.\$ forward purchase contracts entered into in 1998 such that it now has the right to purchase \$28 million U.S. annually to service the annual pre-tax interest payments on U.S. \$ preferred securities at an exchange rate of \$1.41 Canadian until March 31, 2004. Subsequent to year end, the agreement was further amended to revise the exchange rate to \$1.4078 and to extend the term of the contract to March 31, 2005. The counterparty has the right to extend this agreement for a further five years from March 31, 2005 at an exchange rate of \$1.4078. The effective interest rate on the Canadian dollar equivalent amount of the U.S. preferred securities is 8.3%.

Total payments on preferred securities in the current year were \$24.9 million (1998 – \$9.4 million) on an after tax basis. The increase is due to the fact that the three issues of preferred securities were outstanding for the entire year in 1999.

PARTICIPATING SHARES

There were two significant issues of Class B Shares during the current year. On June 2, 1999, Shaw issued four million Class B Shares at \$65.00 per share. The shares were acquired on a "bought deal" basis by a consortium of brokerage firms. Net proceeds of the issue were approximately \$250 million. In addition, on November 30, 1998, 771,928 Class B

Shares were issued as a result of the conversion of 440,000 Convertible Preferred Shares, Series II. Dividends paid in the current year on participating shares were: Class A Shares – \$402,000 (1998 – \$468,000) and Class B Shares – \$6,194,000 (1998 – \$4,713,000). The increase in Class B dividends reflects the 1998 issuance of shares in respect of the WIC acquisition and the significant conversions of Class A Shares to Class B Shares last year. The annual dividend rates were \$0.07 per Class A Share and \$0.08 per Class B Share in 1999 and 1998.

CREATION OF CORUS ENTERTAINMENT INC.

On August 30, 1999, Shaw's shareholders approved the separation of its radio broadcasting and specialty television programming interests and a portion of the investment in WIC (representing WIC's operations in radio, Pay-TV, Per-Per-View and specialty television) to Corus Entertainment Inc. ("Corus"), a newly created separate public company. Corus commenced operations and was listed on the Toronto Stock Exchange on September 1, 1999. Each shareholder of Shaw of record on September 8, 1999, received one-third of a share of Corus for each share of Shaw owned at that date.

The Shaw assets to be transferred to Corus consist of eleven radio stations, specialty television networks YTV, Treehouse TV and CMT (80% owned), and interests in Telatoon (20%), Telelatino (20%), Comedy Channel (15%), and Liberty Digital Inc. (1.6%). WIC's media assets include twelve radio stations, Viewers Choice Pay Per View, Superchannel and Movie Max (all owned 100% by WIC), a 50% interest in Family Channel and a 20% interest in Teletoon. Corus arranged its own credit facility and drew down \$300 million which was paid over to Shaw on September 2, 1999, to complete the transaction. Shaw used the funds to reduce its bank indebtedness.

The following table summarizes the results of operations in respect of the Shaw assets being transferred to Corus:

	Total Revenue		Operating Income before Interest, Amortization and Income Taxes	
	1999	1998	1999	1998
(\$000s)				
Programming	85,459	72,877	24,212	19,337
Radio	51,563	51,617	17,512	17,781
Cable advertising and digital audio services	25,357	21,691	7,367	6,532
	162,379	146,185	49,091	43,650

Continued strong audience support for YTV and CMT account for approximately 63% of the year's growth in total revenue and approximately 67% of the increase in operating income, while the balance of the increase relates to Treehouse TV. Despite the impact of competition and a general decline in national advertising activity in the last half of the fiscal year, YTV and CMT experienced growth of 8.6% and 17.3% respectively in advertising revenue. Treehouse TV, an advertising-free service targeted toward preschool aged children, was launched on November 1, 1997, and completed a one-year free preview period on October 31, 1998. After that date, Treehouse commenced charging affiliate fees to cable television and other operators who distribute the service to their customers, and achieved positive operating income during the third quarter of 1999.

The radio division was successful in maintaining its revenue at essentially the same level as last year despite increased competition from other stations as well as the new specialty television services and an industry wide decline in national sales activity. The competitive influence was particularly evident in Edmonton, which has one of the highest number of radio stations per capita in Canada. CISN-FM and CHQT-AM, Shaw's stations in Edmonton, were forced to lower their "spot rate" in order to remain competitive with other stations in that market.

management's discussion and analysis

The majority of the improvement in cable advertising and digital audio results is attributable to the DMX music commercial service. The customer base at August 31, 1999, was 5,700 accounts, an increase of 17.5% over last year. In addition, growth occurred in the residential DMX service and in sales of audio equipment. Advertising services revenue increased by 2.5% despite a very competitive market for local and national advertising during the past year.

As a stand alone entity, Corus management estimates that corporate expenses would increase by approximately \$3 million per year. In addition, Corus and Shaw have yet to finalize an agreement for services to be provided to Digital ADventure (formerly Shaw Advertising Services) by Shaw. It is estimated that the cost to Corus will be approximately \$3 million per year.

YEAR 2000

Shaw employs computer applications in a number of administrative and operational areas. The Year 2000 issue is being addressed within the Corporation through a team consisting of representatives from operations, finance, legal and information systems. Co-ordination and consolidated reporting of Year 2000 activities and status from all of the Corporation's stakeholders is centralized within the Corporation's Information Systems Group under the supervision of its Chief Information Officer. Common issues such as suppliers' ability to continue in business is also co-ordinated through the corporate office. Year 2000 program status is regularly reported to both the management group and to the Audit Committee of the Board of Directors.

Shaw has completed a full inventory of its critical systems including both its equipment and software and has been working with its suppliers and manufacturers of its critical systems to ensure that the equipment used by Shaw will continue to operate without interruption through the transition from calendar years 1999 to 2000. Relying on the guidance of its suppliers, Shaw has purchased the hardware and software required to ensure Shaw's critical systems will continue to operate without interruption. Shaw has installed all of such upgraded equipment and software and this equipment and software has been fully functional since July 1, 1999. The cost of the upgrade will be approximately \$2 million.

Shaw has completed the testing of its critical equipment and software, including the upgraded equipment, which are within its ability to independently test. Where Shaw was unable to carry out its own tests on critical equipment or software, Shaw has observed Year 2000 compliance testing conducted by the supplier at the supplier's facilities. Shaw is satisfied that the critical equipment and software as upgraded and tested will continue to operate without interruption through the transition from calendar years 1999 to 2000.

Shaw is developing a contingency plan to mitigate the effects of any significant interruption in service due to noncompliance of its critical equipment and software with the calendar year 2000. Throughout the remainder of 1999 Shaw will continue to monitor the year 2000 readiness of its critical equipment and software and continue to upgrade or replace equipment as necessary. Shaw will continue to work with its suppliers in this regard.

Based on the implementation of its Year 2000 review project and the information Shaw has received from its suppliers and barring failures of systems which are outside of Shaw's control, such as a collapse of the electrical power grid for a prolonged period of time, Shaw does not anticipate any significant negative effects upon its operations through the transition from calendar years 1999 to 2000.

management's responsibility for financial reporting

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Shaw Communications Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring the management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

[signed]
Jim Shaw,
President and Chief Executive Officer

[signed]
Ron Rogers,
Senior Vice President and Chief Financial Officer

auditors' report

To the Shareholders of **Shaw Communications Inc.**

We have audited the consolidated balance sheets of **Shaw Communications Inc.** as at August 31, 1999 and 1998 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Calgary, Canada
October 1, 1999

Ernst & Young LLP
Chartered Accountants

consolidated balance sheets

As at August 31	1999	1998
(thousands of dollars)	\$	\$
ASSETS [notes 2 and 8]		
Current		
Cash	-	22,047
Accounts receivable [note 8]	67,363	59,632
Income taxes recoverable	-	4,007
Prepays and other	29,589	31,152
	96,952	116,838
Investments and other assets [note 4]	1,057,263	712,689
Property, plant and equipment [note 5]	1,191,918	997,274
Deferred charges [note 6]	82,038	124,748
Subscriber base and broadcast licenses [note 7]	1,306,224	1,304,904
	3,734,395	3,256,453
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness [note 8]	31,707	-
Accounts payable and accrued liabilities	161,913	146,501
Income taxes payable	8,033	-
Unearned revenue	40,660	37,666
Current portion of long-term debt	73,327	121,976
	315,640	306,143
Long-term debt [note 8]	1,337,332	1,280,502
Deferred credits	27,330	33,304
Deferred income taxes	275,603	220,092
Non-controlling interest	934	815
	1,956,839	1,840,856
Commitments and contingency [notes 13 and 15]		
Shareholders' equity		
Share capital [note 9]	548,182	548,077
Contributed surplus	1,004,625	657,118
Retained earnings	224,749	210,402
	1,777,556	1,415,597
	3,734,395	3,256,453

See accompanying notes

On behalf of the Board:

[signed]

JR Shaw,
Director

[signed]

Jim Dinning,
Director

consolidated statements of income and retained earnings

Years ended August 31	1999	1998
(thousands of dollars except per share amounts)	\$	\$
Revenue	728,287	645,973
Operating, general and administrative expenses	415,078	373,776
Operating income before amortization	313,209	272,197
Amortization [notes 5, 6 and 7]	155,133	137,095
Operating income before interest	154,076	135,102
Interest [note 8]	100,000	118,366
Operating income before the following	54,076	16,736
Gain on sale of investments [note 4]	127,731	55,874
Other revenue including dividends from investees	6,280	3,581
Gain on sale of cable systems [note 3]	—	69,750
Asset writedowns and provisions [note 10]	—	(40,428)
Income from continuing operations before income taxes	188,087	105,513
Income taxes [note 11]	81,232	69,425
Income from continuing operations before the following	106,855	36,088
Equity in Cancom loss [note 4]	(60,761)	(21,406)
Non-controlling interest	—	3,530
Net income from continuing operations	46,094	18,212
Net income (loss) from media business, including costs of separation [note 2]	(301)	(4,687)
Net income	45,793	13,525
Retained earnings, beginning of year	210,402	211,445
Dividends –		
Class A and B Shares	6,596	5,180
Preferred Securities (net of income taxes)	24,850	9,388
Retained earnings, end of year	224,749	210,402
Earnings (loss) per share [note 9]		
Net income from continuing operations	\$ 0.23	\$ 0.05
Net income (loss) related to media business	\$ 0.00	\$ (0.06)
	\$ 0.23	\$ (0.01)

See accompanying notes

consolidated statements of cash flows

Years ended August 31	1999	1998
(thousands of dollars except per share amounts)	\$	\$
OPERATING ACTIVITIES [note 16]		
Cash flow from continuing operations	210,759	149,742
Net change in non-cash working capital balances related to operations	9,809	(36,336)
	220,568	113,406
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(311,780)	(252,763)
Business acquisitions [note 3]	(37,855)	(121,055)
Proceeds on sale of cable systems	17,153	185,872
Proceeds on sale of investments and other assets	149,044	109,653
Acquisition of investments, net of share consideration	(284,391)	(122,815)
Additions to deferred charges	(2,797)	(26,572)
	(472,626)	(227,680)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	31,707	(20,876)
Increase in long-term debt	430,000	391,000
Long-term debt repayments	(375,883)	(540,646)
Preferred Securities issued net of expenses and related taxes	-	537,754
Issue of Class B Shares	250,247	5
Preferred shares redeemed	(4,584)	-
Dividends	(31,446)	(14,568)
	300,041	352,669
Increase in cash	47,983	238,395
Decrease in cash attributable to media business [note 2]	(70,010)	(216,348)
Cash beginning of the year	22,047	-
Cash end of the year	-	22,047
Cash flow from continuing operations per share [note 16]	\$ 2.19	\$ 1.84

See accompanying notes

notes to consolidated financial statements

August 31, 1999 and 1998

1. SIGNIFICANT ACCOUNTING POLICIES

Shaw Communications Inc. (the "Company") is a public company whose shares are listed on the Toronto, Alberta and New York Stock Exchanges. The Company is a diversified Canadian communications company whose core business is providing broadband cable television and Internet services in Canada. The Company also has significant interests in radio broadcasting, television networks and direct-to-home satellite television services as well as providing telecommunications and paging services to individual and business customers. The consolidated financial statements are prepared by management on the historical cost basis in accordance with accounting principles generally accepted in Canada.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, all of which are wholly-owned except for 3247236 Canada Inc., (80% owned) which operates the Canadian country music video specialty television network, CMT.

The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Other investments are recorded at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

Acquisitions subject to CRTC approval are recorded at cost until approval is received and then accounted for according to the nature of the investment made.

REVENUE RECOGNITION

Revenue from cable television, Internet and paging services includes earned subscriber service revenue prior to any network fees. Service charges billed or paid for in advance are recorded as revenue when earned. Radio and media advertising revenue is recognized in the period in which the advertising is aired. Telecommunications revenue is recognized in the period in which the services are rendered to customers.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	10-15 years
Converters and modems	7 years
Radio production equipment	10 years
Paging equipment	10 years
Data processing	4 years
Buildings	20-40 years
Other	3-10 years

DEFERRED CHARGES

Deferred charges primarily include (i) financing costs and credit facility arrangement fees related to the issue of long-term debt amortized over the period to maturity of the related debt; (ii) marketing costs incurred to launch new specialty services amortized over a two year period commencing with the commercial offering of the service; (iii) first year start-up and operating costs of new specialty programming networks amortized over five years; (iv) foreign exchange losses on translating long-term debt; and, (v) program rights.

Rights to broadcast programs under various long-term contracts are recorded as assets and the related liabilities are recorded when the programs are available for telecast under a license agreement. The cost of each contract is amortized over its duration. Contract costs assessed as having no future benefit are written off.

Programs produced by the Company are recorded at cost, including direct production costs and an appropriate share of overhead. These costs are included in program rights and are fully amortized as played, over a maximum period of three years. Any revenue earned relating to the sale of these programs is recorded as program distribution revenue over the life of the related sale contracts.

SUBSCRIBER BASE AND BROADCAST LICENSES

The excess of the cost of acquiring cable, radio, telecommunications and media businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist primarily of subscriber

base and broadcast licenses. Commencing in 1992, amounts allocated to subscriber base on cable acquisitions are amortized using the increasing charge method with an interest rate of 4% over forty years. Amounts allocated to broadcast licenses and goodwill are amortized on a straight-line basis over forty years. These assets are written down if there is evidence of a permanent impairment in their value to the Company. The potential impairment of these assets is measured against the discounted value of future operating income before amortization, taxes and interest.

DEFERRED CREDITS

Deferred credits include amounts received for debenture warrants that are being amortized against long-term interest expense on a straight-line basis over the period to maturity of the related debenture and foreign exchange gains on translating long-term debt.

INCOME TAXES

Income taxes have been provided using the deferral method of tax allocation whereby the provision for income taxes is determined on the basis of income and expenses included in the statements of income rather than the related amounts reported in the income tax returns of the Company and its subsidiaries.

PREFERRED SECURITIES

The Preferred Securities are unsecured junior subordinated debentures of the Company with original terms ranging from 30 to 99 years. The Company has the ability to defer interest payments and to satisfy the deferred interest and redemption obligations through the issuance of Class B Shares. Accordingly, these securities are included in shareholders' equity as share capital and any payments thereon net of taxes are recorded as dividends.

FOREIGN EXCHANGE

Long-term debt denominated in U.S. dollars is translated into Canadian dollars at the year end rate of exchange. Exchange gains or losses on translating long-term debt are included in deferred credits or deferred charges and, except for hedged debt, are amortized on a straight-line basis over the remaining life of the debt.

FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include interest rate and cross-currency exchange agreements, forward foreign currency purchase agreements and foreign currency purchase option agreements. All such instruments are only used for risk management purposes. The Company accounts for these financial instruments as hedges and as a result the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or payments arising from financial instruments relating to the management of interest risks are recognized in interest expense over the term of the instrument. Foreign exchange gains or losses arising on cross-currency agreements used to hedge U.S. dollar denominated debt are deferred until maturity of the agreement.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. SEPARATION OF MEDIA BUSINESS

On August 30, 1999, the Company's shareholders approved an arrangement (the "Arrangement") to divide the Company into two separate public corporations, Shaw Communications Inc. and Corus Entertainment Inc. ("Corus") effective September 1, 1999. The Arrangement resulted in the following business segments and investments being transferred to Corus:

notes to consolidated financial statements

August 31, 1999 and 1998

Business Segments

Shaw Radio Ltd. (including deposit on

London, Ontario radio stations – See note 18(b))

YTV Canada, Inc.

Treehouse TV

Country Music Television (80% interest)

DMX (80% interest)

Digital ADventure (formerly Shaw Advertising Services)

Investments

Telelatino Network Inc. (20% interest)

Teletoon Canada Inc. (20% interest)

The Comedy Network Inc. (15% interest)

Liberty Digital Inc. (formerly TCI Music, Inc.) (1.6% interest)

An indirect interest in the shares of WIC Western International Communications Ltd. ("WIC") was transferred to Corus representing the Company's estimate of the value attributable to the radio and pay television-broadcasting assets of WIC plus approximately \$100 – \$125 million in assets realized from any WIC reorganization. The acquisition of WIC is subject to CRTC approval and any WIC reorganization, or any other agreement with WIC or the other significant shareholders of WIC, is subject to further negotiations, the execution of definitive agreements and applicable regulatory, shareholder, tax and other approvals.

The Company has agreed, subject to CRTC approval, to dispose of its 47.8% interest in Headline Sports Television Network. Under the Arrangement, the right to the proceeds of disposition, net of taxes, will be assigned to Corus.

CONDENSED STATEMENTS OF INCOME FOR THE MEDIA BUSINESS ARE AS FOLLOWS:

	Years ended August 31	
	1999	1998
	\$	\$
<i>(thousands of dollars)</i>		
Revenue	162,379	146,185
Operating, general and administrative expenses (d)	113,288	102,535
Operating income before amortization	49,091	43,650
Amortization [notes, 5, 6 and 7]	11,406	9,912
Operating income before interest	37,685	33,738
Interest (a)	27,000	16,825
Operating income before the following	10,685	16,913
Writedown in carrying value of Liberty Digital Inc. [note 10]	–	(22,323)
Other revenue including dividends from investees	2,957	2,835
Income (loss) from operations before income taxes	13,642	(2,575)
Income taxes (b)	(6,775)	(1,995)
Non-controlling interest	(119)	(117)
Net income (loss) from media business	6,748	(4,687)
Costs incurred to separate media business (net of income taxes) (c)	(7,049)	–
Net income (loss) from media business, including costs of separation	(301)	(4,687)
Condensed cash flow information for the media business is as follows:		
Cash realized from (used for):		
Operating activities	20,950	15,331
Investing activities	(90,980)	(231,679)
	(70,030)	(216,348)

The above condensed statements have been prepared on the following basis:

- (a) The Company does not allocate interest on debt to its various business segments. Upon effecting the Arrangement, Corus drew down \$300 million on its own credit facility, advanced the funds to the Company and \$300 million of bank loans were repaid by the Company. Accordingly, for purposes of presenting 1999 net income for the media business, interest on \$300 million at the Company's average cost of borrowing has been allocated in the statement of income. An interest allocation was made in 1998 on \$187 million of debt at the Company's average cost of borrowing.

- (b) The business segments and investments transferred to Corus constitute the Media division of the Company that has no separate legal existence and accordingly, is not a separate taxable entity. The income tax provisions included in the statements of income are based on expected applicable statutory rates applied to income from operations.
- (c) Costs incurred to transfer the media business to Corus under the Arrangement amounted to \$7,049,000 (net of income taxes of \$4,002,000) and consisted of debt restructuring and consent fees, investment advisory costs and professional fees.
- (d) After the separation, the Company will provide access services to Digital ADventure (formerly Shaw Advertising Services) at an access fee yet to be finalized. No amount has been included in operating, general and administrative expenses for the media business to reflect these access costs which will be incurred once the separation takes place. Management estimates the access fee to be paid by Corus will be in the range of \$3 million annually.

Pro-forma condensed balance sheets for the Company reflecting the transfer of the media business (assuming the transfers occurred at the dates indicated) are set out below and are presented on the same basis as described in the condensed statements of income with respect to the allocation of debt and income taxes.

	August 31, 1999			August 31, 1998		
	Shaw consolidated \$	Transfers to Corus \$	Pro-forma Shaw consolidated \$	Shaw consolidated \$	Transfers to Corus \$	Pro-forma Shaw consolidated \$
(thousands of dollars)						
ASSETS						
Current						
Cash	-	-	-	22,047	(8,969)	31,016
Accounts receivable	67,363	31,777	35,586	59,632	31,940	27,692
Income taxes recoverable	-	-	-	4,007	4,936	(929)
Prepays and other	29,589	18,915	10,674	31,152	18,023	13,129
	96,952	50,692	46,260	116,838	45,930	70,908
Investments and other assets	1,057,263	515,122	542,141	712,689	455,368	257,321
Property, plant and equipment	1,191,918	30,523	1,161,395	997,274	29,989	967,285
Deferred charges	82,038	11,090	70,948	124,748	8,364	116,384
Subscriber base and broadcast licenses	1,306,224	169,517	1,136,707	1,304,904	174,255	1,130,649
	3,734,395	776,944	2,957,451	3,256,453	713,906	2,542,547
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Bank indebtedness	31,707	(261)	31,968	-	-	-
Accounts payable and accrued liabilities	161,913	16,619	145,294	146,501	16,635	129,866
Income taxes payable	8,033	(1,140)	9,173	-	-	-
Unearned revenue	40,660	398	40,262	37,666	338	37,328
Current portion of long-term debt	73,327	-	73,327	121,976	-	121,976
	315,640	15,616	300,024	306,143	16,973	289,170
Long-term debt	1,337,332	300,000	1,037,332	1,280,502	300,000	980,502
Deferred credits	27,330	-	27,330	33,304	216	33,088
Deferred income taxes	275,603	(9,415)	285,018	220,092	1,050	219,042
Non-controlling interest	934	934	-	815	815	-
	1,956,839	307,135	1,649,704	1,840,856	319,054	1,521,802
Shareholders' equity	1,777,556	469,809	1,307,747	1,415,597	394,852	1,020,745
	3,734,395	776,944	2,957,451	3,256,453	713,906	2,542,547

The foregoing condensed statements of income and cash flows and pro-forma condensed balance sheets are not necessarily indicative of results of operations, cash flows or financial position had Corus operated as an independent entity as at or for the above dates and noted periods. The management of Corus have estimated the incremental costs as a stand-alone entity for corporate expenses would be approximately \$3 million annually.

notes to consolidated financial statements

August 31, 1999 and 1998

On September 10, 1999, Corus announced that it had reached an agreement, subject to CRTC approval, to acquire all of the broadcasting assets, consisting of seventeen radio stations and four television stations in the Provinces of Ontario and Quebec of Power Broadcasting Inc. at a price of \$107,500,000 subject to working capital adjustments.

3. BUSINESS ACQUISITIONS AND DIVESTITURES

A summary of net assets acquired through business acquisitions, accounted for as purchases, is as follows:

	1999 \$	1998 \$
<i>(thousands of dollars)</i>		
Identifiable net assets acquired at assigned fair values		
Working capital (deficiency)	(139)	(1,538)
Property, plant and equipment	6,116	20,596
Subscriber base	31,878	101,997
Purchase price – cash	37,855	121,055

Effective May 31, 1999, the Company purchased a cable television system serving approximately 20,000 subscribers in Chilliwack, British Columbia for \$37,855,000. The Company sold several non-strategic small cable television systems serving approximately 15,000 subscribers in 1999 for \$17,153,000, resulting in a nominal pre-tax gain.

Effective June 30, 1998, the Company purchased cable television systems serving approximately 65,000 subscribers in Courtney/Comox, Powell River and Kamloops, British Columbia and Lethbridge, Alberta for \$121,055,000 and sold cable television systems serving approximately 95,000 subscribers in Windsor, Chatham, Leamington and Smith Falls, Ontario for \$185,872,000, resulting in a pre-tax gain of \$69,750,000.

4. INVESTMENTS AND OTHER ASSETS

	1999 \$	1998 \$
<i>(thousands of dollars)</i>		
Investments, at cost:		
WIC Western International Communications Ltd. ("WIC") [note 2]	596,548	594,959
Liberty Digital Inc. ("Liberty") (formerly TCI Music, Inc.) (market value – \$37,611; 1998 – \$13,113) [note 2]	8,400	11,400
At Home Corporation ("At Home") (market value of shares – \$166,570; 1998 – \$50,208)	23,896	15,323
Terayon Communication Systems ("Terayon") (market value of shares – \$90,928; 1998 – \$8,692)	40,940	10,767
Liberate Technologies ("Liberate") (market value – \$34,772)	12,883	–
Investments in publicly-traded Canadian communications companies (market value – \$167,146)	160,604	–
Specialty programming networks:		
Headline Sports Television Network (47.8% interest) [note 2]	6,383	5,798
Telelatino Network Inc. (20% interest) [note 2]	738	738
The Comedy Network Inc. (15% interest) [note 2]	1	1,345
Teletoon Canada Inc. (20% interest) [note 2]	400	400
Investment, at equity:		
Canadian Satellite Communications Inc. ("Cancom")	23,357	57,009
Employee home relocation mortgages and loans	9,766	11,436
Deposits and costs on pending acquisitions [note 18]	169,181	–
Other	4,166	3,514
	1,057,263	712,689

WIC

WIC, a Canadian public corporation, is involved in television, radio and pay television broadcasting and satellite delivery services. At August 31, 1999, and 1998 the Company owned 451,677.5 Class A voting shares (49.9% interest) and 13,579,556 Class B non-voting

shares (approximately 52%) of WIC, which in total represent approximately 52% of the equity of WIC. These shares were acquired during 1997 and 1998 through open market purchases, private transactions and a take-over bid. The Company and CanWest Global Communications Corp. ("CanWest"), which owns approximately 46% of the Class B non-voting shares of WIC, are involved in negotiations with a view towards entering into an agreement (subject to CRTC and other regulatory approvals), whereby WIC would sell its television assets to CanWest and the Company would acquire WIC's radio, specialty/pay channels and satellite assets. Pending completion of the regulatory process, the investment in WIC is being accounted for on the cost basis.

LIBERTY

Liberty, a U.S. public corporation, is a music entertainment company delivering audio music services to commercial and business consumers in the U.S. via satellite, the Internet and on-premise compact discs. The investment in Liberty consists of 1,400,000 common shares (1998 - 1,900,000 shares) representing a 1.6% interest. During the year, 500,000 shares were sold for \$22,960,000 resulting in a pre-tax gain of \$19,960,000. In 1998, the Company recorded a \$30,295,000 writedown in the carrying value of the investment due to prolonged periods of carrying value being in excess of market value.

AT HOME

A summary of the holdings in At Home is as follows:

	1999	1998
	(Number of Shares / Warrants)	
Shares (free trading)	1,140,000	2,200,000
Shares (subject to hold period expiring March 19, 2000)	1,641,420	-
Vested warrants	-	1,044,790
Non-vested warrants	3,702,190	4,155,210
Shares and warrants reserved for employee incentive plan	536,000	1,000,000
	7,019,610	8,400,000

At Home is a U.S. public corporation which developed the high speed Internet access service @Home. The Company, along with certain other Canadian cable companies, have the exclusive right to distribute the @Home service in Canada to their respective cable subscribers and have the right to sub-license other cable companies to distribute the service in Canada.

Under its agreement with At Home, the Company received warrants to purchase 2,000,000 Series A common shares of At Home at \$5.00 U.S. per share on April 11, 2004 or earlier upon achievement of certain performance milestones with respect to the distribution of the @Home service in Canada. In 1998, the Company received warrants to purchase a further 4,200,000 Class A shares at \$5.25 U.S. per share exercisable upon the achievement of targeted @Home subscriber levels. This agreement is in effect until March 31, 2008.

The economic benefit resulting from any increase in value attributable to 1,000,000 warrants from the time of issue was awarded to various employees to encourage and reward the efforts of such employees in the development, launch and marketing of the @Home service. Entitlements under the plan vest over a period to 2001 with 390,000 shares and 146,000 warrants reserved for the incentive plan as at August 31, 1999.

During 1999, the Company exercised warrants to acquire 2,321,420 shares of At Home (including 680,000 shares in respect of the incentive plan) and sold 1,350,000 shares (including 290,000 shares in respect of the incentive plan) resulting in a pre-tax gain on sale of \$92,214,000. Subsequent to August 31, 1999, 1,140,000 shares of At Home were sold for \$65,649,000, resulting in a pre-tax gain of \$57,666,000.

TERAYON

A summary of the holdings in Terayon is as follows:

	1999	1998
	(Number of Shares / Warrants)	
Shares (free trading)	192,308	576,923
Shares (subject to hold period expiring February 15, 2000)	1,500,000	-
Warrants	1,500,000	3,000,000
	3,192,308	3,576,923

Terayon is a U.S. public company that manufactures and sells cable television Internet modems. In 1998, the Company acquired 576,923 Terayon common shares for \$10,767,000 and was allocated warrants to acquire a further 3,000,000 common shares at \$6.50 U.S. per share until December 31, 2003. The economic benefit attributable to 400,000 warrants was awarded, under an incentive arrangement, to the

notes to consolidated financial statements

August 31, 1999 and 1998

Executive Chair of the Company. In January 1999, the Company purchased these warrants at their fair market value from the Executive Chair at a cost of \$22,594,800.

During 1999, 384,615 shares were sold for \$22,806,000 resulting in a pre-tax gain of \$15,589,000 and 1,500,000 shares were acquired through the exercise of warrants.

LIBERATE

Liberate is a U.S. public corporation which develops software to deliver Internet-enhanced services to televisions and other outlets. During 1999, the Company acquired 883,333 common shares, 833,333 of which are subject to a hold period expiring January 24, 2000. Subsequent to August 31, 1999, the Company sold the 50,000 freely-tradeable shares for \$2,228,000 resulting in a pre-tax gain of \$1,496,000.

CANCOM

On August 31, 1999, Cancom and Star Choice Communications Inc. ("Star Choice") completed a share exchange transaction resulting in Star Choice becoming a wholly owned subsidiary of Cancom. Prior to this transaction, the Company held a 9.5% interest in Cancom, accounted for on a cost basis, and 49.9% interest on a diluted basis in Star Choice, accounted for on the equity basis. After the above exchange transaction, the Company held approximately 35% of Cancom on a fully diluted basis which will be accounted for on the equity basis. For purposes of presentation in the 1999 and 1998 statements, the investments in Cancom and Star Choice have been combined and described as Cancom. The equity in losses to August 31, 1999, only relate to losses incurred by Star Choice to that date.

Cancom is a Canadian public corporation providing satellite-based solutions for business and Star Choice provides direct-to-home (DTH) satellite television services to residences and businesses.

A summary of the gain on sale is as follows:

	1999 \$	1998 \$
(thousands of dollars)		
At Home	92,214	15,759
Terayon	15,589	-
Liberty	19,960	-
Microcell Telecommunications Inc.	-	17,604
Moffat Communications Limited	-	22,511
Other	(32)	-
	127,731	55,874

5. PROPERTY, PLANT AND EQUIPMENT

	1999		1998	
	Cost	Accumulated amortization	Cost	Accumulated amortization
(thousands of dollars)	\$	\$	\$	\$
Cable and telecommunications distribution system	1,168,923	299,923	999,386	247,211
Converters and modems	202,214	38,862	110,355	17,511
Radio production equipment	9,783	4,998	9,591	5,619
Paging equipment	31,862	9,705	35,154	11,203
Buildings	97,558	25,577	98,266	21,613
Data processing	30,795	13,187	28,531	16,067
Other assets	60,508	37,131	38,661	22,834
	1,601,643	429,383	1,319,944	342,058
Land	19,658	-	19,388	-
	1,621,301	429,383	1,339,332	342,058
Net book value		1,191,918		997,274

Labour costs attributable to construction are capitalized as part of the distribution systems. In 1999, the amount capitalized was \$34,297,000 (1998 - \$28,878,000). Amortization provided in the accounts on property, plant and equipment for 1999 amounted to \$127,643,000 (1998 - \$107,866,000) on continuing operations and \$6,001,000 (1998 - \$5,175,000) in respect of the media business assets.

6. DEFERRED CHARGES

(thousands of dollars)	1999		1998	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Financing costs and credit facility arrangement fees	25,565	14,473	25,946	11,418
Marketing costs to launch new services	16,237	11,798	14,402	3,598
Start-up costs of new specialty programming networks	4,089	667	2,465	—
Foreign exchange losses on translating long-term debt	68,626	14,637	98,972	9,428
Program rights	18,258	10,590	16,855	10,956
Other	2,214	786	1,853	345
	134,989	52,951	160,493	35,745
	82,038		124,748	

Amortization provided in the accounts on deferred charges, excluding long-term program rights, for 1999 amounted to \$17,257,000 (1998 – \$15,587,000) on continuing operations and \$667,000 (1998 – Nil) in respect of the media business assets. Amortization of long-term program rights amounting to \$22,055,000 in 1999 (1998 – \$14,064,000) is included in operating, general and administrative expenses of the media business.

7. SUBSCRIBER BASE AND BROADCAST LICENSES

(thousands of dollars)	1999		1998	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Subscriber base	1,204,468	67,761	1,184,674	54,025
Broadcast licenses	189,967	20,450	189,967	15,712
	1,394,435	88,211	1,374,641	69,737
Net book value	1,306,224		1,304,904	

Amortization provided in the accounts on subscriber base and broadcast licenses amounted to \$14,233,000 (1998 – \$13,642,000) on continuing operations and \$4,738,000 (1998 – \$4,737,000) in respect of the media business assets.

8. LONG-TERM DEBT

(thousands of dollars)	Effective interest rates %	1999	1998
		\$	\$
Debentures:			
Series B, due July 29, 1999	10.80	—	60,000
2003 Series, due January 8, 2003	11.09	24,000	24,000
2003 (U.S.) Series, due February 4, 2003	9.23	74,625	78,425
2005 Series, due November 30, 2005	9.84	156,300	156,300
2007 Series, due March 19, 2007	9.22	45,000	45,000
2007 (U.S.) Series, due March 19, 2007	8.20	302,978	318,405
2008 Series, due January 8, 2008	11.33	42,000	42,000
		644,903	724,130
Bank loans	Fixed and variable	701,178	621,747
Notes payable in annual installments of \$19,546 on July 31	7.52	19,546	39,092
Note payable in respect of pending acquisition [note 18(c)]	8.00	45,000	—
Other		32	1,938
		1,410,659	1,386,907
Senior preferred shares		—	4,571
Convertible preferred shares		—	11,000
		—	15,571
		1,410,659	1,402,478
		73,327	121,976
Less current portion		1,337,332	1,280,502

notes to consolidated financial statements

August 31, 1999 and 1998

Interest on long-term debt included in interest expense amounted to \$100,000,000 (1998 – \$118,366,000) on continuing operations and \$27,000,000 (1998 – \$16,825,000) in respect of the media business operations.

DEBENTURES

The effective interest rates on the 2003, 2003 (U.S.), 2007, 2007 (U.S.) and 2008 Series debentures represent the coupon rates on those debentures plus interest rate adjustments related to amendments of financial covenants to conform with those contained in the Company's syndicated bank facility, reduced by the effect of amortizing the proceeds of debenture purchase warrants. The effective interest rate on the 2005 Series debentures represents the coupon rate on those debentures plus the cost of an interest rate hedge agreement. Cross-currency interest rate swap agreements have been entered into to fix the liability for interest payments on the 2003 (U.S.) and 2007 (U.S.) debentures in Canadian funds at an average exchange rate of \$1.40 Cdn. and to hedge \$190.3 million U.S. of the \$253 million U.S. principal repayment on these debentures at an average exchange rate of \$1.374 Cdn.

A floating charge on all the assets and undertakings of the Company has been provided as collateral on the outstanding debentures which ranks pari passu with each other and with the demand debenture described under bank loans. As at August 31, 1999, the Company was in compliance with the covenants it made in the trust indentures under which the debentures were issued.

Debentures outstanding are payable on their respective due dates, except as follows:

2003 (U.S.) Series (\$50,000,000 U.S.)

Annual payments of \$20,000,000 U.S. on February 4, 2001 and 2002 and \$10,000,000 U.S. on February 4, 2003.

2005 Series (\$156,299,500)

Annual payments of \$52,099,834 on November 30, 2003 and 2004 and \$52,099,832 on November 30, 2005.

2007 Series (\$45,000,000)

Annual payments of \$15,000,000 on March 19, 2005, 2006 and 2007.

2007 (U.S.) Series (\$203,000,000 U.S.)

Annual payments of \$67,700,000 U.S. on March 19, 2005 and 2006 and \$67,600,000 U.S. on March 19, 2007.

2008 Series (\$42,000,000)

Semi-annual payments of \$2,100,000 commencing July 8, 2000 with the balance due January 8, 2008.

BANK LOANS

The Company has a \$30,000,000 revolving operating loan facility collateralized by a general assignment of accounts receivable ranking in priority to all security on the debentures. Interest rates and borrowing options are the same as those contained in the credit facility described below.

A syndicate of banks have provided the Company with a credit facility which at August 31, 1999, amounted to \$966.7 million. \$475.5 million of this facility (including \$30 million utilized in the form of letters of credit) is revolving on a reducing basis until repaid by August 31, 2004. As at August 31, 1999, \$235.5 million of this facility was not utilized. The balance of the facility which has been fully drawn is non-revolving term repayable in twelve semi-annual increasing installments such that the loan is repaid by August 31, 2004. Pursuant to the Arrangement described in note 2, the Company repaid \$300 million of the amount outstanding under the credit facility on September 2, 1999. This repayment was applied equally against the revolving and term portions, and the availability under the revolving portion was reduced to \$325.5 million.

Funds are available to the Company in both Canadian and U.S. dollars. At August 31, 1999, the U.S. portion of the bank loans was \$128.4 million U.S. (reduced to \$91.5 million U.S. on September 2, 1999). The Company has entered into cross-currency interest rate agreements to fix the liability for interest and principal payments on \$74.8 million U.S. (\$111.6 million Canadian) of this amount at an average exchange rate of \$1.34 Cdn.

At August 31, 1999, interest rates on \$421 million of Canadian dollar borrowings and \$74.8 million U.S. (\$111.6 million Canadian) were fixed by means of interest rate swaps at an average rate of 9.22%. Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptance and U.S. libor rates and averaged 7% for the year (1998 – 6.5%). As a result of the Arrangement (note 2), Corus assumed Canadian interest rate swaps on \$144 million at 8.93% leaving the Company with \$277 million of Canadian interest rate swaps at an average rate of 9.48%.

The banks hold as collateral a \$1.5 billion floating charge demand debenture on all assets of the Company and a general assignment of book debts. This debenture ranks pari passu with the collateral granted pursuant to the trust indentures under which the debentures are

issued. Under both the credit agreement and the trust indentures, the Company has undertaken to maintain certain covenants. The Company was in compliance with these covenants at August 31, 1999.

LONG-TERM DEBT REPAYMENTS

Mandatory principal repayments on all long-term debt in each of the next five years are as follows:

<i>(thousands of dollars)</i>	\$
2000	73,327
2001	85,699
2002	137,348
2003	276,747
2004	362,263
Thereafter	475,275
	1,410,659

9. SHARE CAPITAL

AUTHORIZED

The Company is authorized to issue an unlimited number of Class A participating shares ("Class A Shares"), Class B non-voting participating shares ("Class B Shares") and Canadian Originated Preferred Securities ("Preferred Securities").

Class A Shares are convertible at any time into an equivalent number of Class B Shares. The Class B Shares, with a par value of \$0.0167 each, are convertible into an equivalent number of Class A Shares in limited circumstances.

Preferred Securities rank as unsecured junior subordinated debt.

Effective September 1, 1999, the authorized share capital of the Company was amended:

- i) to eliminate the par value on Class B Shares; and
- ii) to authorize the Company to issue an unlimited number of Class 1 and Class 2 preferred shares. The shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 preferred shares rank senior to the Class 2 preferred shares.

ISSUED AND OUTSTANDING

<i>(thousands of dollars)</i>			1999 \$	1998 \$
Number of Shares				
1999	1998			
5,723,036	5,760,186	Class A Shares	2,916	2,934
84,080,749	76,788,692	Class B Shares	1,403	1,280
		Preferred Securities –		
5,700,000	5,700,000	8.45% Series A	192,871	192,871
100,000	100,000	8.54% Series B	98,467	98,467
6,900,000	6,900,000	8.50% Series	252,525	252,525
			548,182	548,077

SHARE TRANSACTIONS

Changes in Class A and Class B share capital and contributed surplus in 1999 and 1998 are as follows:

<i>(thousands of dollars, except number of shares)</i>	Class A Shares		Class B Shares		Contributed Surplus
	Shares	\$	Shares	\$	\$
August 31, 1997	8,832,182	4,502	61,182,299	1,019	362,410
Class A conversions	(3,071,996)	(1,568)	3,071,996	52	1,516
Issued on acquisition of WIC shares	–	–	12,250,367	204	293,192
Stock option plan issuances	–	–	284,030	5	–
August 31, 1998	5,760,186	2,934	76,788,692	1,280	657,118
Class A conversions	(37,150)	(18)	37,150	1	17
Public offering	–	–	4,000,000	68	254,036
Preferred share conversions	–	–	771,928	13	10,987
Stock option plan issuances	–	–	482,979	8	–
Issued in respect of acquisition [note 18(c)]	–	–	2,000,000	33	82,467
August 31, 1999	5,723,036	2,916	84,080,749	1,403	1,004,625

notes to consolidated financial statements

August 31, 1999 and 1998

PREFERRED SECURITIES

During 1998 the Company issued the following series of Preferred Securities:

- (i) U.S. \$142.5 million 8.45% Series A Preferred Securities in denominations of U.S. \$25 each due September 30, 2046 accruing interest from the date of issuance (October 2, 1997) payable quarterly.
- (ii) \$100 million 8.54% Series B Preferred Securities in denominations of \$1,000 each due September 30, 2027 accruing interest from the date of issuance (October 2, 1997) payable semi-annually.
- (iii) U.S. \$172.5 million 8.5% Preferred Securities in denominations of \$25 each due September 30, 2097 accruing interest from the date of issuance (July 22, 1998) payable quarterly.

On March 31, 1999, the Company purchased a five year extendible forward purchase contract to provide the U.S. funds required for the quarterly interest payments on the U.S. denominated Preferred Securities at an exchange rate of \$1.41 Cdn.

The Company has the right to defer payments of interest on the Preferred Securities for a period up to 20 consecutive quarterly periods provided that no extension period may extend beyond the stated maturity of the Preferred Securities. Except in certain limited circumstances, the Company may not pay or declare dividends on any of its capital stock (including capital stock classified as debt) (except by way of stock dividend) at any time when any interest on the Preferred Securities is either in default or is being deferred. There may be multiple extension periods of varying lengths, each of up to 20 consecutive quarterly periods, throughout the term of the securities. During any extension period, interest will accrue but will not compound. The Company may satisfy its obligation to pay deferred interest on any applicable interest payment date through the issuance to the trustee of Class B Shares of the Company, in which event the holders of the securities shall be entitled to receive cash payments equal to the deferred interest from the proceeds of the sale of the requisite Class B Shares by the trustee.

The Preferred Securities are redeemable, at the Company's option, in whole or in part, at any time after September 30, 2002 (8.45% Series A Preferred Securities), September 30, 2007 (8.54% Series B Preferred Securities), or September 30, 2003 (8.5% Preferred Securities) at a redemption price equal to 100% of the principal amount of the securities to be redeemed plus accrued and unpaid interest thereon to the date of such redemption.

The Company may satisfy its obligation to pay the applicable redemption price or the principal amount of the Preferred Securities plus accrued and unpaid interest thereon on the applicable payment date through the issuance of Class B Shares, in which event the holders of the securities shall be entitled to receive cash payments from the proceeds of the sale of the requisite Class B Shares by the trustee.

The principal amounts of the Preferred Securities, net of after tax issue costs totalling \$9,352,000, have been classified as equity, and interest payments, on an after tax basis, are classified as dividends as the Company has the unrestricted ability to settle the amounts by issuing Class B Shares.

STOCK OPTION PLAN

Under a stock option plan, options were granted to senior officers and employees to acquire Class B Shares. The number of shares that may be issued under the plan varies depending upon the growth in market value of the shares. In connection with the Arrangement (described in note 2), all vesting rights under the stock option plan were accelerated and 1,397,588 Class B Shares were issued by the Company on September 1, 1999.

DIVIDENDS

The holders of Class B Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of \$0.01 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Shares, holders of Class A Shares and B Shares participate equally, share for share, as to all subsequent dividends declared.

SHARE TRANSFER RESTRICTION

The Articles of Continuance of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a license to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

EARNINGS (LOSS) PER SHARE

Earnings (loss) per share are calculated based on the weighted average number of Class A Shares and Class B Shares outstanding during the year (1999 – 84,416,000; 1998 – 73,649,000) after deducting entitlements on the Preferred Securities, net of income taxes, amounting to \$26,119,000 (1998 – \$14,114,000) from net income. The potential issuance of Class B Shares under the terms of the Company's stock option plan was not dilutive.

10. ASSET WRITEDOWNS AND PROVISIONS

As a result of the Company's ongoing review of the carrying value of certain assets and various commitments, the following asset writedowns and provisions were made in the accounts in 1998:

	1998 \$
(thousands of dollars)	
Writedown in carrying value of investment in Liberty Digital Inc. (formerly TCI Music, Inc.)	7,972
Provision for CableSat losses	5,859
Provision for children's programming commitments	22,595
Write-off of net assets attributable to	
Sega channel on cessation of operations	4,002
	40,428

The 1998 writedown in carrying value of the investment in Liberty Digital Inc. amounted to \$30,295,000 in total of which \$22,323,000 has been allocated to the media business [see note 2].

11. INCOME TAXES

Differences between income taxes calculated at Canadian statutory rates and the income tax provision are as follows:

	1999 \$	1998 \$
(thousands of dollars)		
Income taxes at Canadian statutory rates	84,639	47,377
Differences from statutory rates relating to:		
Amortization on amounts assigned to assets on business acquisitions not deductible for tax purposes	6,961	7,614
Large corporations tax	3,469	3,000
Non-taxable portion of gains on sales	(12,680)	
Non-deductible portion of loss on sale/writedown of assets		9,889
Other	(1,157)	1,545
Income tax provision	81,232	69,425

The components of the income tax provision are as follows:

	1999 \$	1998 \$
(thousands of dollars)		
Current	19,661	6,500
Deferred	61,571	62,925
	81,232	69,425

notes to consolidated financial statements

August 31, 1999 and 1998

12. BUSINESS SEGMENT INFORMATION

The Company provides cable television services; high-speed Internet access; fiber optic data, video, voice and Internet telecommunications services; and paging services. All of these operating segments are located in Canada. The media business segment is now part of Corus Entertainment Inc. and is disclosed separately in note 2. Information on continuing operations by business segment are as follows:

1999

(thousands of dollars)	Cable TV \$	Internet \$	Tele- communication \$	Paging \$	Total \$
Revenues – total	637,107	40,113	38,819	18,875	734,914
Inter segment	–	–	(6,627)	–	(6,627)
	637,107	40,113	32,192	18,875	728,287
Operating income before amortization	287,676	10,021	12,176	3,336	313,209
Operating income as % of external revenue	45.2%	25.0%	37.8%	17.7%	43.0%
Segment assets	2,047,991	127,978	77,512	19,706	2,273,187
Media assets [note 2]					776,944
Corporate assets					684,264
Total assets					3,734,395
Capital expenditures by segment	207,209	60,322	30,244	335	298,110
Corporate expenditures					15,670
Total capital expenditures					313,780

1998

(thousands of dollars)	Cable TV \$	Internet \$	Tele- communication \$	Paging \$	Satellite \$	Total \$
Revenues – total	589,332	8,362	22,567	22,170	6,361	648,792
Inter segment	–	–	(2,819)	–	–	(2,819)
	589,332	8,362	19,748	22,170	6,361	645,973
Operating income before amortization	267,159	1,381	4,864	2,862	(4,069)	272,197
Operating income as % of external revenue	45.3%	16.5%	24.6%	12.9%	(64.0%)	42.1%
Segment assets	1,978,191	23,796	47,883	19,912	–	2,069,782
Media assets [note 2]						713,906
Corporate assets						472,765
Total assets						3,256,453
Capital expenditures by segment	185,656	23,796	27,358	2,934	2,106	241,850
Corporate expenditures						10,913
Total capital expenditures						252,763

13. COMMITMENTS

The Company has various long-term operating lease agreements for the use of transmission facilities and premises in each of the next five years as follows:

(thousands of dollars)	\$
2000	16,195
2001	13,375
2002	11,264
2003	10,358
2004	4,282
Thereafter	20,787
	76,261

14. FINANCIAL INSTRUMENTS

FAIR VALUES

The fair value of financial instruments has been determined as follows:

(i) *Current assets and current liabilities*

The fair value of financial instruments included in current assets and liabilities approximates their carrying amount due to their short-term nature.

(ii) *Investments and other assets*

a) The fair value of publicly traded shares included in this category is determined by the closing market values for those investments.

b) The fair value of other investments in this category approximates their carrying value.

(iii) *Long-term debt*

a) The carrying value of the Company's bank loans approximates their fair value because interest charges under the terms of the bank loans are based upon current Canadian bank prime and bankers' acceptance rates and on U.S. bank base and Libor rates.

b) Notes payable are repayable in less than five years and therefore carrying value is considered to approximate fair value for these instruments.

c) The fair value of the outstanding debentures is based upon current trading values of similar instruments.

(iv) *Derivative financial instruments*

The fair value of interest and cross-currency interest exchange agreements and U.S. currency contracts is based upon quotations by the counterparties to the agreements.

The estimated fair values of long-term debt and related derivative financial instruments are as follows:

	1999		1998	
	Carrying amount \$	Estimated fair value \$	Carrying amount \$	Estimated fair value \$
<i>(thousands of dollars)</i>				
Long-term debt				
Debentures, loans and notes	1,410,659	1,513,503	1,386,907	1,451,498
Preferred shares			15,571	15,571
Derivative financial instruments				
Interest exchange agreements	—	54,075	—	60,873
Cross-currency interest rate exchange agreements	—	(13,040)	—	(37,624)
U.S. currency purchase and purchase option contracts	—	(6,943)	—	(38,777)
	1,410,659	1,547,595	1,402,478	1,451,541

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

CREDIT RISKS

Credit risks associated with interest and cross-currency interest exchange agreements and U.S. currency contracts arise from the ability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. These risks are mitigated by dealing with major creditworthy financial institutions.

Accounts receivable are not subject to any concentration of credit risk.

notes to consolidated financial statements

August 31, 1999 and 1998

15. UNCERTAINTY DUE TO YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. Management has developed and implemented a plan designed to identify and address the expected effects of the Year 2000 Issue on the Company. As at August 31, 1999, the Company has commenced the identification of computer systems that will require modification or replacement. An assessment of the readiness of third parties, such as customers, suppliers and others is ongoing, however, it is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the Statements of Cash Flows are as follows:

(i) Cash flow from continuing operations

	1999 \$	1998 \$
<i>(thousands of dollars)</i>		
Net income from continuing operations	46,094	18,212
Non-cash items:		
Amortization	159,133	137,095
Deferred income taxes	61,571	62,925
Gain on sale of cable systems, net of current taxes	-	(68,450)
Asset writedowns and provisions, net of payments	-	37,562
Gain on sale of investments, net of current taxes	(112,302)	(51,174)
Equity in Cancom loss	60,761	21,406
Non-controlling interest	-	(3,530)
Other	(4,498)	(4,304)
Cash flow from continuing operations	210,759	149,742

(ii) Changes in non-cash working capital balances related to continuing operations include the following:

	1999 \$	1998 \$
<i>(thousands of dollars)</i>		
Accounts receivable	(8,027)	(6,340)
Prepays and other	(17,120)	4,862
Accounts payable and accrued liabilities	26,646	(21,931)
Income taxes payable (recoverable)	5,096	(15,915)
Unearned revenue	3,214	2,988
	9,809	(36,336)

(iii) Interest and income taxes paid (recovered) and classified as operating activities are as follows:

	1999 \$	1998 \$
<i>(thousands of dollars)</i>		
Interest	107,802	139,033
Income taxes paid (recovered)	(6,534)	7,704

(iv) Cash flow from continuing operations per share is calculated based on cash flow from continuing operations less entitlements on Preferred Securities, net of applicable income taxes.

17. UNITED STATES ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

(a) Reconciliation to accounting principles generally accepted in the United States

	1999 \$	1998 \$
<i>(thousands of dollars)</i>		
Net income using Canadian GAAP	45,793	13,525
Add (deduct) adjustments for:		
Amortization of intangible assets (1)	(32,884)	(33,127)
Deferred charges (2)	4,444	(8,128)
Foreign exchange gains (losses) (4)	38,010	(51,905)
Equity in loss of Star Choice (5)	27,482	(2,682)
Adjustments to gain on sale of cable systems (3)	(7,614)	(32,446)
Dividends on redeemable preferred shares (9)	498	423
Interest on Preferred Securities (10)	(47,490)	(25,440)
Stock based compensation (11)	(92,850)	—
Income tax effect of adjustments (3)	30,943	80,563
Net income (loss) using U.S. GAAP	(33,668)	(59,217)
Unrealized gains on available-for-sale securities, net of tax (8)		
Unrealized holding gains arising during the year	278,107	21,590
Less: reclassification adjustments for gains included in net income	(86,790)	
	191,317	21,590
Comprehensive income (loss) using U.S. GAAP	157,649	(37,627)
Net income (loss) per share using U.S. GAAP	(0.40)	(0.80)
Comprehensive income (loss) per share using U.S. GAAP	1.86	(0.51)

Balance sheet items using U.S. GAAP

	1999		1998	
	Canadian GAAP \$	U.S. GAAP \$	Canadian GAAP \$	U.S. GAAP \$
<i>(thousands of dollars)</i>				
Investments and other assets (5) (6) (8)	1,057,263	1,419,588	712,689	758,752
Property, plant and equipment (3)	1,191,918	1,203,065	997,274	1,006,963
Deferred charges (2) (4)	82,038	70,263	124,748	91,760
Subscriber base and broadcast licenses (1) (3) (7)	1,306,224	1,712,293	1,304,904	1,738,942
Deferred income taxes (3)	275,603	858,874	220,092	700,897
Long-term debt (10)	1,337,332	1,917,941	1,280,502	1,882,982
Shareholders' equity	1,777,556	1,381,441	1,415,597	790,071

The cumulative effect of these adjustments on consolidated shareholders' equity is as follows:

	1999 \$	1998 \$
<i>(thousands of dollars)</i>		
Shareholders' equity using Canadian GAAP	1,777,556	1,415,597
Amortization of intangible assets (1)	(108,716)	(101,211)
Deferred charges (2)	(4,470)	(7,032)
Foreign exchange losses (4)	(13,412)	(49,805)
Equity in loss of Star Choice (5)	20,093	(7,388)
Gain on sale of subsidiary (6)	13,822	13,822
Gain on sale of cable television systems (7)	44,823	53,061
Unrealized gains on investments (8)	212,906	21,590
Preferred Securities (10)	(561,161)	(548,563)
Shareholders' equity using U.S. GAAP	1,381,441	790,071

notes to consolidated financial statements

August 31, 1999 and 1998

Areas of material difference between accounting principles generally accepted in Canada and the United States and their impact on the consolidated financial statements are as follows:

(1) *Amortization of intangible assets*

Under Canadian GAAP, amounts allocated to subscriber base are amortized using an increasing charge method which commenced in 1992. Under U.S. GAAP, these intangibles are amortized on a straight-line basis over forty years.

(2) *Deferred charges*

Marketing costs to launch new specialty networks and services and first year start-up and operating costs of new specialty programming networks are deferred and amortized under Canadian GAAP. Under U.S. GAAP, these costs are expensed as incurred.

(3) *Deferred income taxes*

U.S. GAAP requires companies to recognize deferred income taxes based on the liability method whereas under Canadian GAAP the Company uses the deferral method. Under the liability method, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

(4) *Foreign exchange gains (losses)*

Foreign exchange gains (losses) on translation of long-term debt are amortized on a straight-line basis over the remaining life of the debt under Canadian GAAP. U.S. GAAP requires gains and losses to be included in income or expenses when incurred.

(5) *Equity in loss of Star Choice*

The earnings of Star Choice determined under Canadian GAAP have been adjusted to reflect U.S. GAAP.

Under Canadian GAAP, the investment in Star Choice was accounted for using the cost method of accounting until CRTC approval was received for the transaction. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investment was done retroactively to the date the Company first acquired shares in Star Choice.

(6) *Gain on sale of subsidiary*

In 1997, the Company acquired a 54% interest in Star Choice in exchange for the shares of HomeStar Services Inc., a wholly-owned subsidiary. Under Canadian GAAP the acquisition of the investment in Star Choice was a non-monetary transaction that did not result in the culmination of the earnings process as it was an exchange of control over similar productive assets. As a result, the carrying value of the Star Choice investment was recorded at the book value of assets provided as consideration on the transaction. Under U.S. GAAP the transaction would have been recorded at the fair value of the shares in HomeStar Services Inc. This would have resulted in a gain on disposition of the consideration the Company exchanged for its investment in Star Choice and an increase in the acquisition cost for Star Choice.

(7) *Gain on sale of cable systems*

Under Canadian GAAP, no gain was recorded in 1995 on an exchange of cable television systems with Rogers Communications Inc. on the basis that this was an exchange of similar productive assets. Under U.S. GAAP the gain net of applicable taxes is recorded and amortization adjusted as a result of the increase in subscriber base upon the recognition of the gain.

(8) *Unrealized gains (losses) on investments*

Under U.S. GAAP, equity securities having a readily determinable fair value and not classified as trading securities, are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income and reported as a separate component of shareholders' equity net of related deferred income taxes. Under Canadian GAAP, these investments are carried at cost and written down only when there is evidence that a decline in value, that is other than temporary, has occurred.

(9) *Redeemable preferred shares*

Redeemable preferred shares with mandatory or retractable redemption provisions may not be classified as part of shareholders' equity for Canadian or U.S. GAAP purposes. However, under Canadian GAAP, dividends on preferred shares classified as debt are included in the income statement as an interest expense. Under U.S. GAAP, the dividend is treated as such and shown as a charge against retained earnings.

(10) *Preferred Securities*

Preferred securities are classified as equity under Canadian GAAP and interest thereon net of taxes is recorded as dividends. Under U.S. GAAP, the Preferred Securities would be classified as debt and interest thereon recorded as interest expense.

(11) *Stock based compensation*

Under U.S. GAAP, the Company's stock option plan is considered a stock appreciation right resulting in the measurement of compensation equal to the fair market value of the stock received when an employee exercises their right under the plan. Based on the vesting and exercise of all rights under the plan on September 1, 1999, compensation is recorded under U.S. GAAP. Under Canadian GAAP, no compensation is recorded.

(b) *Statements of cash flows*

Under U.S. GAAP, cash flow from continuing operations per share cannot be reported in the statement.

(c) *Stock-based compensation*

The Company applies APB Opinion 25 in accounting for common share options granted to employees and officers for U.S. GAAP purposes. Had compensation expense been determined on the basis of the estimated fair values of the options granted in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", August 31, 1999, net loss would have decreased by \$87,494,000 or \$1.04 per common share (August 31, 1998 - net loss increased by \$2,633,000 or \$0.04 per common share).

The fair value of common share options granted in 1997 was \$8,209,000. The fair value of common share options granted is estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Dividend yield	0.64%
Risk-free interest rate	5.16%
Expected life	5 years
Expected volatility	29%

(d) *Recent accounting pronouncements*

The Financial Accounting Standards Board in the United States issued a pronouncement entitled "Accounting for Derivative Instruments and Hedging Activities" which the Company is required to adopt in the year ending August 31, 2001. The impact of this pronouncement on the Company's consolidated financial statements has not been determined.

18. SUBSEQUENT EVENTS AND PENDING TRANSACTIONS

- (a) Effective September 1, 1999, the Company was separated into two public corporations, Shaw Communications Inc. and Corus Entertainment Inc. in an arrangement whereby the media business of the Company was transferred to Corus (see note 2).
- (b) Effective September 1, 1999, Corus completed the acquisition of the London, Ontario radio stations CFPL-AM, CFPL-FM and CFHK-FM. The purchase price was \$40,000,000 subject to adjustment for net working capital at the closing date.
- (c) The Company has agreed to acquire a 75% interest in Access Communications Inc. and a 100% interest in Access Cable Television Bedford/Sackville Limited for \$167,000,000 (including the assumption of debt). Access Communications Inc. also holds a 45% interest in Halifax Cablevision Limited. The three companies operate cable television systems serving approximately 142,500 subscribers primarily in Nova Scotia. This transaction was closed in escrow on August 31, 1999. The consideration for the purchase includes the issuance of 2,000,000 Class B Shares in the Company valued at \$82,500,000 and the issuance of a note payable to the vendors for \$45,000,000 representing the estimated cash portion of the purchase price. The vendor of the Access shares is a Director of the Company. The transaction was reviewed and approved by a special committee of the Board of Directors. CRTC approval for the transaction was received subsequent to August 31, 1999, and the acquisition will be accounted for effective September 1, 1999.
- (d) The Company has agreed, subject to CRTC approval, to acquire 100% of Fundy Communications Inc. which operates cable systems serving approximately 192,000 subscribers in New Brunswick for \$460,000,000 (including the assumption of debt). Approximately \$150,000,000 of the purchase price is to be satisfied by the issuance of Class B Shares in the Company. CRTC approval for the transaction was received subsequent to August 31, 1999, and the acquisition is expected to close effective November 1, 1999.

19. COMPARATIVE FIGURES

Comparative figures have been reclassified where appropriate to conform to presentation adopted in the current year.

five years in review

(thousands of dollars except per share amounts)

	1999	1998	1997	1996	1995
Income					
Cable	637,107	589,332	532,520	527,706	401,355
Telecommunications	32,192	19,748	14,160	6,297	—
Internet	40,113	8,362	—	—	—
Paging	18,875	22,170	28,843	26,234	6,548
Satellite	—	6,361	—	—	—
	728,287	645,973	575,523	560,237	407,903
Operating income					
Cable	287,676	267,159	250,777	252,912	183,807
Telecommunications	12,176	4,864	3,255	1,511	—
Internet	10,021	1,381	—	—	—
Paging	3,336	2,862	3,747	4,613	1,576
Satellite	—	(4,069)	—	—	—
	313,209	272,197	257,779	259,036	185,383
Net income before discontinued and separated operations	46,094	18,212	(8,634)	78,559	29,610
Discontinued paging operations	—	—	16,374	(16,374)	—
Separation of media division	(301)	(4,687)	8,852	1,568	(284)
Net income	45,793	13,525	16,592	63,753	29,326
Earnings per share					
Net income from continuing operations	0.23	0.05	(0.12)	1.12	0.45
Discontinued and separated operations	(0.00)	(0.06)	0.36	(0.21)	—
	0.23	(0.01)	0.24	0.91	0.45
Net cash flow from continuing operations	210,759	149,742	125,933	118,539	100,351
Cash flow per share	2.19	1.84	1.80	1.69	1.53
Balance sheet					
Total assets	3,734,395	3,256,453	2,453,962	2,199,305	2,132,733
Long-term debt	1,410,659	1,402,478	1,482,012	1,288,773	1,291,274
Cash dividends declared per share					
Class A	0.07	0.07	0.06	0.06	0.06
Class B	0.08	0.08	0.07	0.07	0.07

subscriber statistics

	August 31, 1999			August 31, 1998		
	Basic Subscribers	Basic Subscribers as % of Homes Passed	Full Cable Service	Basic Subscribers	Basic Subscribers as % of Homes Passed	Full Cable Service
British Columbia						
Port Alberni/Nanaimo/Parksville/Courtney/Comox	80,852	78.0	69,534	80,497	78.9	70,909
Duncan/Lake Cowichan	19,240	74.6	16,961	19,099	75.0	17,267
Victoria	114,171	77.3	97,804	113,700	77.7	99,293
Kelowna/Vernon/Penticton/Kamloops/Chilliwack	125,433	75.0	108,324	103,761	75.7	92,628
Prince George/Quesnel/Williams Lake	33,430	68.1	30,163	35,318	73.0	32,674
Fort St. John/Dawson Creek	8,607	55.3	7,734	9,154	60.0	8,168
Trail/Castlegar/Nelson	16,159	68.7	13,742	16,731	72.0	14,558
Cranbrook/Creston and area	17,137	69.5	15,086	17,370	72.3	15,581
	415,029	74.5	359,348	395,630	75.8	351,078
Alberta						
Calgary/Lethbridge and area	295,647	74.8	261,384	286,563	75.1	257,606
Edmonton/Red Deer and area	165,103	77.1	146,243	163,948	76.7	147,628
Fort McMurray	11,239	83.0	10,354	11,027	82.2	10,207
	471,989	75.8	417,981	461,538	75.8	415,441
Saskatchewan						
Saskatoon/Prince Albert	65,369	67.0	58,734	65,379	67.5	59,636
Moose Jaw/Swift Current	17,418	67.1	15,307	18,080	68.7	15,821
	82,787	67.1	74,041	83,459	67.8	75,457
Manitoba						
Winnipeg	80,020	83.9	69,462	79,058	83.4	70,001
Portage la Prairie	4,787	73.1	4,145	4,659	72.7	4,014
	84,807	83.2	73,607	83,717	82.7	74,015
Ontario						
Greater Toronto area	331,510	81.8	293,728	322,637	82.9	288,115
Barrie/Orilla/Borden and area	76,117	73.9	65,348	89,665	73.0	77,996
Thunder Bay	36,666	73.5	33,737	37,404	75.7	34,960
Sault Ste. Marie	27,677	78.0	25,263	27,778	78.3	25,776
Red Rock/Marathon and area	5,565	74.3	5,558	5,761	77.6	5,718
	477,535	79.7	423,634	483,245	80.0	432,565
Total	1,532,147	76.3	1,348,611	1,507,589	77.0	1,348,556

shareholder information

SHARE CAPITAL AND LISTINGS

The Company is authorized to issue an unlimited number of Class A participating and Class B non-voting participating Shares. At August 31, 1999, the Company had 5,723,036 Class A Shares and 84,080,749 Class B Shares outstanding. The Class A Shares are listed on the Alberta Stock Exchange under the symbol SJR.A. The Class B Shares are listed on The Toronto Stock Exchange and the Alberta Stock Exchange under SJR.B and on the New York Stock Exchange under the symbol SJR. The series A and B Preferred Securities (COPrS) are listed on the New York Stock Exchange under SJRPRA and SJRPB respectively.

TRADING RANGE OF CLASS B SHARES ON THE TORONTO STOCK EXCHANGE

Sept. 1, 1998 to August 31, 1999

	High	Low	Total Volume
First Quarter	\$ 33.10	\$ 23.25	5,519,054
Second Quarter	\$ 46.05	\$ 32.20	6,790,155
Third Quarter	\$ 68.00	\$ 40.50	14,673,732
Fourth Quarter	\$ 60.65	\$ 51.75	10,268,172
Closing Price, August 31, 1999	\$ 52.80		37,251,113

SHARE SPLITS

There have been two splits of the Company's shares – May 18, 1994 (2 for 1) and September 23, 1987 (3 for 1).

SHAW/CORUS SHAREHOLDER TAX COST ALLOCATION

As a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, for Canadian and United States income tax purposes, a Shareholder's Adjusted Cost Base ("ACB") is allocated as follows:

Immediately before the Arrangement	ACB	Immediately after the Effective Time of the Arrangement	ACB
Shaw Class A Shares	100%	Shaw Class A Shares	86.0343%
		Corus Class A Shares	13.9657%
			100.0000%
Shaw Class B Non-Voting Shares	100%	Shaw Class B Non-Voting Shares	86.0343%
		Corus Class B Non-Voting Shares	13.9657%
			100.0000%

DIVIDEND POLICY

The current annual dividend rates are \$0.07 per Class A participating share and \$0.08 per Class B non-voting participating share. Dividends are subject to review by the Board of Directors on an annual basis.

QUARTERLY INFORMATION

(thousands of dollars except per share amounts)	Operating Revenue	EBITDA ⁽¹⁾	Earnings per Share ⁽²⁾	Cash Flow ⁽³⁾	Cash Flow per Share ⁽³⁾
1999					
Fourth Quarter	190,264	80,771	0.13	62,376	0.65
Third Quarter	186,348	80,874	(0.01)	48,840	0.50
Second Quarter	181,636	77,995	0.29	53,599	0.57
First Quarter	170,039	73,569	(0.18)	45,944	0.47
Total	728,287	313,209	0.23	210,759	2.19
1998					
Fourth Quarter	167,080	71,067	(0.08)	40,428	0.43
Third Quarter	165,539	71,925	0.10	38,310	0.49
Second Quarter	160,927	63,032	(0.09)	31,266	0.39
First Quarter	152,427	66,173	0.06	39,738	0.53
Total	645,973	272,197	(0.01)	149,742	1.84

(1) Earnings before interest, taxes, depreciation and amortization

(2) Earnings per share from continuing and discontinued operations

(3) Cash flow and cash flow per share from continuing operations

corporate information

As at August 31, 1999

DIRECTORS

JR Shaw⁽⁴⁾
Executive Chair,
Shaw Communications Inc.

John L. Bragg⁽³⁾
President,
Oxford Foods Ltd.

Julia Conway⁽³⁾
Corporate Director

Jim Dinning⁽¹⁾⁽²⁾
Executive Vice President,
Sustainable Development
and External Relations,
TransAlta Corporation

Clinton C. Forster⁽¹⁾⁽²⁾⁽⁵⁾
President,
Forvest Broadcasting Corporation

George F. Galbraith⁽⁴⁾
Corporate Director

Charles V. Keating⁽²⁾
Chairman,
Access Communications Inc.

Rt. Hon. Donald F. Mazankowski⁽³⁾⁽⁴⁾
Corporate Director

Dorothy Zolf McDonald, Ph.D.⁽¹⁾⁽²⁾⁽⁵⁾
Corporate Director

Jeffrey Royer⁽¹⁾⁽²⁾
Corporate Director

Heather A. Shaw⁽¹⁾⁽³⁾⁽⁵⁾
President, DMX Canada
and Shaw Advertising Services

Leslie E. Shaw⁽³⁾⁽⁴⁾
Chairman,
Shaw Industries Ltd.

J.C. Sparkman⁽⁴⁾
Corporate Director

OFFICERS AND SENIOR MANAGEMENT

JR Shaw
Executive Chair

Jim Shaw
President and Chief Executive Officer

Peter J. Bissonnette
Senior Vice President, Operations
Shaw Cablesystems G.P.

John M. Cassaday⁽⁶⁾
President, Shaw Media

Michael D'Avella
Senior Vice President, Planning

Margot M. Micallef
General Counsel and
Corporate Secretary

Michael G. Ostopowich
Vice President, Finance

Paul Robertson⁽⁶⁾
President, YTV Canada, Inc.

Ronald D. Rogers
Senior Vice President and
Chief Financial Officer

Heather A. Shaw⁽⁶⁾
President, DMX Canada
and Shaw Advertising Services

Ken C.C. Stein
Senior Vice President,
Corporate and Regulatory Affairs

James T. (Terry) Strain⁽⁶⁾
President, Shaw Radio Ltd.

Robert C. Watson
President,
Shaw FiberLink Ltd.

CORPORATE GOVERNANCE

Information concerning Shaw's corporate governance policy is contained in the Information Circular and is also available by contacting the Company.

INTERNET HOME PAGE

Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor relations information are available electronically on the Internet at www.shaw.ca.

CORPORATE OFFICE

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Calgary, Alberta T2P 4L4
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Facsimile (403) 750-4501
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AUDITORS

Ernst & Young LLP

PRIMARY BANKERS

The Toronto-Dominion Bank

TRANSFER AGENTS

CIBC Mellon Trust Company,
Calgary
1-800-387-0825

Chase Mellon Shareholder Services, L.L.C.,
New York
1-800-526-0801

DEBENTURE TRUSTEES

Montreal Trust Company of Canada
IBJ Whitehall Bank & Trust Company

Further Information

Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit our website at www.shaw.ca for further information.

To receive an Annual Report of the Shaw Children's Programming Initiative, please fax your request to (403) 750-4501.

To receive additional copies of the Annual Report for Shaw Communications Inc., please fax your request to (403) 750-7469 or e-mail angela.haigh@shaw.ca.

For inquiries relating to Shaw philanthropic practices please call (403) 750-6998.

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1995, 1996, 1998 Nintendo/Creatures Inc./Game Freak, Inc.TM is a trademark of Nintendo of America Inc.

(1) Audit Committee

(2) Human Resources Committee

(3) Corporate Governance Committee

(4) Executive Committee

(5) Resigned effective September 1, 1999 to join Board of Corus Entertainment Inc.

(6) Resigned effective September 1, 1999 to become officers and senior management of Corus Entertainment Inc.



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SHAW)

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